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Legal move puts bung on liquor hearing

by Rae Mazengarb

WIDELY regarded as a test case for the liquor industry, this week's Commerce Commission inquiry into allegations of restrictive trade practices has been called off.

Days before the substantive hearing, Philips and Pike Limited of Wellington (a subsidiary of Dalgety NZ Limited), indent agents named in the original complaint to the Examiner of Commercial Practices, applied to the Supreme Court for a review of the commission's preliminary findings of August.

The company also applied for an order staying the commission proceedings until after the court review.

The commission inquiry has crucial implications for the liquor industry, and will determine if competition is allowed to flourish.

At stake for cut-price operators is the right to lower prices free from supply problems.

For Philips and Pike and other large liquor merchants, the aim is to maintain discriminatory supply practises.

The case will establish just how much muscle they have and the extent to which they can keep the liquor trade within their control.

Last week's legal moves are considered "delaying tactics" by other parties to the action. They say that while the matter remains unresolved, their businesses will suffer from supply problems.

Philips and Pike disagrees with the commission's interpretation of the Commerce Act on a point which goes to the heart of the issue.

The company is seeking a ruling from the court on the meaning of a "refusal to supply".

The Commerce Commission postponed the hearing to await the court's decision on the interim application.

Several parties said they expected some move by Philips and Pike along these lines, but were surprised that the proceedings with the commission were stopped dead.

The hearing had been delayed already for other reasons.

Some suggest the issues may remain unresolved for years.

Meanwhile, the company which initiated the complaint to the Examiner some months ago, Westport-based Baillie Wines and Spirits Limited, says its supply problem is jeopardising its trade.

The company is concerned with keeping in business at a time when normally a busy and lucrative Christmas trading period should be looming.

The company has lodged what is understood to be a counterclaim with the Supreme Court in a last-ditch stand to block the Philips & Pike action and attempt to restore its former trading arrangement.

The number of groups which has applied for and gained party status in the commission action, and the legal heavyweights representing them, demonstrates the importance which industry members place on the case.

Apart from Philips and Pike and Baillie, the New Zealand Wholesale Wine and Spirit Merchants' Féderation, Wrightson NMA, Glenleith Holdings Limited, and a group of major brand distributors (comprising Allied Liquor Merchants Ltd, Ballins Industries Ltd, Dominion Breweries Ltd, C H Drysdale & Co Ltd, Fletcher Humphries & Co Ltd, Hughes and Cossar Ltd, NZ Wines and Spirits Ltd, and Quill Morris Ltd) have become party to the action.

The Examiner of Commercial Practices is automatically admitted to the proceedings.

Baillie, operating on margins lower than those traditionally taken in the trade, for some time has been supplying hotellers with cheap liquor.

Those hotellers in turn have become known for passing on competitive prices at retail level.

In the last few months, liquor merchants have been fighting to preserve their right to prevent discounting of their products.

The Examiner of Commercial Practices takes a dim view of those actions.

In his report to the commission in June, he said he was satisfied Philips and Pike's actions were against the public interest in that they prevented effective competition on the market place (see NBR June 27).

The suppliers had changed the rules for supply of products to Baillie mid-stream in what appeared to be a bid to stop the price-cutting.

In March they refused to supply products to Baillie except on terms which the company claimed were so disadvantageous as to be likely to deter it from acquiring the products.

Philips and Pike had advised Baillie that in future it would deliver orders only to Westport, on a freight-paid basis.

Products for Auckland and Palmerston North — where Baillie had outlets — had first to be transported to Westport, placed in bond, and then transported north at Baillie's expense, even though the product might originate from Auckland.

This meant greatly increased costs for Baillie and its customers.

The Examiner said Baillie "stands out in the industry because of its effective and competitive pricing policies".

In practice, Baillie effectively had been prevented from selling certain liquors in the North Island, "presumably the object of the practice", the Examiner said.

Other major suppliers, several of whom are represented in the case — adopted Philips and Pike's new terms of supply about the same time.

The Examiner said it was not clear if those suppliers were acting in concert "or whether the timing was mere coincidence".

Inside:

THE team that introduced bearer notes here has come up with yet another uncommon security — the "Negotiable Floating Rate Certificates of Deposit". Peter V O'Brien, armed with his pocket calculator, analyses the new DFC issue — Page 11.

JOHN Sloan talks to National Mutual manager Gil Hosking about the proposed merger with Commerical Union Assurance — Page 16.

CONSUMERS don't need to interpret the Electricity Division's complicated annual accounts in order to work out they are paying too much for electricity. Our Economics Correspondent explains why the increases are not necessary and John Peet discusses the *effectiveness of a tariff policy as an economic tool* — Page 21.

Price curbs: Govt casts wide net

by Rae Mazengarb

THE four clauses of the Commerce Amendment Bill provide Government with sweeping powers to impose price restraints on any goods or services which the Minister may specify, and on goods and services sold by individuals whom he may specify.

Introduced last week to Parliament, the bill created hardly a ripple in the commercial world.

Perhaps that was because there were more immediate issues to be discussed, after the Government's intervention in the settlement of the drivers award — which inspired the bill — sparked a general strike.

But the bill has implications for businessmen more serious than the brevity of the document suggests.

And as it swiftly reached its second reading only the day after its introduction, a few critics were beginning to realise it was not as harmless as its brevity implied.

The Bill amends the Commerce Act 1976 by repealing section 83 and enables wide-ranging price restraints to be imposed by regulations made under the principal Act.

These regulations may impose or provide for the imposition of price restraint in respect of

- Goods or services or classes of goods and services generally;
- Particular goods or services or particular classes of goods or services;
- Goods or services sold by particular classes of persons or by individual persons.

In other words, Government — or the Minister — can have a field day making regulations to impose price restraints on any individual companies or persons they care to specify.

The restraint measures may specify how prices are to be restrained. In particular, they may:

- Limit the margin of profit that may be applied to goods or services;
- Prescribe the method for calculating prices;
- Limit the costs that may be taken into account in calculating those prices;
- Limit the profit of any business;
- Control the frequency of price increases;
- Freeze, for any specified period, the prices of any goods or services;
- Override or supplement any criteria required to be taken into consideration under any Act by any body or person charged with fixing prices;
- Suspend any procedure for price fixing.

The measures are spelt out so that nothing can be left to be disputed in the courts.

The former general legislation could have provided a plethora of loopholes.

Clause 3 amends section 118 of the principal Act by adding a proviso which makes it clear that price restraint regulations may override any provisions which relate to the fixing of prices or charges and which are contained in any Act specified in the First Schedule to the principal Act.

The explanatory note says: "The Transport Act 1962 is one of the Acts included in the First Schedule".

To regulate, you must provide penalties.

This Bill gives the Minister the right to keep prices down, while providing the means for Government to increase its own income.

Fines for breaches increase from $200 to $1000 maximum.

Was their disruptive journey really necessary

by Colin James

THERE comes a point during most protracted industrial disputes when the issue seems trivial compared with the cost to the parties.

What is not apparent to the public are the deeper issues over which the dispute is really being fought.

Partly that is the fault of workers in my trade not doing their job as thoroughly as it demands to be done. No news organisation has yet invested the resources necessary to do this.

Partly it is because the deeper issues are not discoverable by the journalist. They may not even be apparent to the people involved in the conflict, or if they are apparent, are not clearly so or the people involved cannot articulate them.

There is another possible reason: that the roots of industrial conflict go deeper than any discernible issues. For example, Lewis Coser, in his book The Functions of Social Conflict, argues:

POLITICS

". . . conflict, rather than being disruptive and dissociating, may indeed be a means of balancing and hence maintaining a society as a going concern."

In the industrial sense, the conflict is "institutionalised" by a never-ending struggle between formal power blocks of unions and employers, of which strikes are an inherent part.

One might loosely interpret that view as that strikes can be a sort of safety valve through which excessive heads of steam are released, thus saving the boiler from blowing up.

It is not my purpose in this article to attack or defend the resort to strikes. But those fond of citing the German experience as invalidating any justification of strikes might care to ask themselves if they would swap our strikes for Germany's urban terrorists.

The fact is that unless we are going to change the rules, we are going to have strikes — some justified, some irksome or disruptive, some plainly politically inspired.

And the rules cannot be changed by the stroke of a prejudiced pen in Parliament. They can be changed only by a fundamental shift in social attitudes.

An example of such a shift would be acceptance of political dictatorship. Another would be a preference for anarchism (such as might occur in the atomised post-microprocessor world). In either case, unions would be irrelevant.

In the meantime we are stuck with carryings-on like last Thursday's national strike.

According to your own prejudices, you could regard that extraordinary event as the reaction of wage workers goaded beyond endurance by a hostile Government or as a studied attack on the foundations of our democracy by power-mad union leaders.

But answers were less appropriate than questions last week.

Question No 1: Was it a general strike? Not really, at least not in the sense that that word is usually used — a protracted trial of strength with the Government. It was a protest stoppage, a gesture.

Question No 2: What was its purpose from the union point of view? To get the drivers their 1.5 per cent? To force the Government to get its nose out of wage bargaining?

Or was it intended to show that the union movement could unite for some future dustup such as unionisation of joint venture fishing vessels? Was it more a matter of internal politics in the Federation of Labour, to show that the militant left is now boss and that the Skinner-will-fix-it days are over?

In one so-called "moderate" union office last Tuesday morning, officials were cynically talking about the "start of the revolution" — a thinly disguised reference to the Socialist Unity Party (communist) allegiance of FOL secretary Ken Douglas.

There were also widespread mutterings that Jim Knox was no longer in control, if he ever had been.

Question No 3: Why did Tony Neary's electrical workers settle their supply authorities award in the middle of the rumpus, thereby seeming to break ranks at a critical time? Should they not have at least referred their proposed settlement to the FOL executive?

There were mutterings about Neary's increasing isolation from the mainstream of the union movement.

The fact is that he got a good settlement. The movement in the basic rate was 10 per cent, half a per cent higher than the Government allowed the drivers, and in addition the great bulk of workers under the award are to get another 1.5 per cent because of the introduction of a pay grade for those who have more than two years service.

Question No 4: Why did the Government not interfere with the electrical workers' settlement? Was it because their increase is considered less damaging to the economy than the drivers? Or because they did not actually strike to get it?

Or was it because Neary is more politically acceptable? Did the Government see political advantage in adding a few blows of its own to the wedge being driven between Neary and the rest?

In fact most of Neary's workers joined the national strike, the exceptions being those who have by law to give 14 days notice of strike action.

My own conclusion, from talking to Cabinet ministers and backbenchers, is that political considerations outweighed economic ones in deciding to go for the drivers. As Kerry McDonald of the Institute for Economic Research pointed out in a Checkpoint interview, even 9.5 per cent is economically unacceptable.

The Government has made a great deal of the fact that the drivers used industrial muscle to lift their employers from 9.5 per cent to 11 per cent.

This, according to Jim Bolger on television on Tuesday night, was unreasonable action. He refused to define what "unreasonable" was, retreating into the absurd assertion that the public knew what it was.

Subsidiary question for Bolger: Would a week of electricity cuts from Neary's lot be reasonable or not? If not, would a week of sporadic freight interference from drivers, as distinct from three months of it, be reasonable or not? Is the threat of an electricity strike, as distinct from an actual strike, reasonable or unreasonable?

Question No 5: Why did neither the Government nor the FOL really explore possible avenues of averting the national stoppage? Did the Government want the stoppage to persuade the public the FOL was now in the hands of politically motivated extremists?

Question No 6: Is there a narrower political motive behind the Government's action? Was Muldoon seizing a chance to demonstrate to free enterprisers just how far they have got to go before they can apply the "more market" philosophy to every question?

In other words, was he trying to recoup some of the great deal of mana he has lost in the party for being an interventionist when the party has been crying: "Get off our backs."

This article was written before last Thursday's [illegible] and before the electrical contractors' and engineers' award talks ended. Government MPs and ministers were talking darkly about the fluidity of the situation and warning that things could change dramatically between the writing of the article and its publication.

Already extensive powers to clobber "soft" employers have been taken in an amendment to the Commerce Act. Bolger had warned of [illegible] controls if unions did [illegible] knuckle under.

The free enterprisers have indeed discovered flaws in the "more market" philosophy which in its pure form demands a hands-off Government attitude to wage bargaining.

As one or two of them explained to me, while employers were able to pass wage increases in "cost-plus" sectors of the economy — in other words, without the restraint of competition in the marketplace — they would [illegible] be encouraged to resist excessive wage demands.

Until they can be [illegible] protected — and delicensing the transport industry [illegible] been made much more [illegible] by the cave-in to the drivers — they have to be persuaded [illegible] controls on their prices [illegible] helped (by controls on wages).

All sorts of draconian schemes were being dreamt [up] in Government circles [last] week to make sure no employers paid drivers one cent of the offending 1.5 per cent, no matter what means were devised to do it.

Here we are back to the [1.5] per cent. At one level that is what last Thursday's [illegible] was about.

At another it was about Government interference in wage bargaining.

Below that, it was the outcome of a long period of strained relations between the Government and the unions, not helped by the Prime Minister's crusade against compulsory unionism which reached ignominious defeat a few weeks back when over [illegible] Auckland clerical workers voted for membership.

Beneath that standoff, we might look at the severe [illegible] that has been pushed in the average New Zealander's once confident expectation of improving times.

In such times louder and rougher leaders do well, so that even once-somnolent organisations like the FOL can throw a few punches.

Last week's protest stoppage may have been punching the wind. But what went into it would fill a fat book.

Margarine marketing spread

PLEDGED to conquering the margarine industry, the Kaipara Edible Oils Refinery Ltd marketing push had an inauspicious start.

The Helensville company ran out of margarine stocks soon after it began an expensive television and newspaper campaign last month to promote its "Margee" brand.

Then it ran foul of the Health Department because labelling didn't comply with regulations.

Supply problems were exacerbated by the national driver's strike, which saw a run on margarine when butter supplies ran down. That is the reason KEOR chief executive Ken Burnett has given for the larder being bare.

KEOR's $4.5 million refinery was meant to come on stream on June 20.

That was the day Prime Minister Rob Muldoon officially opened the refinery with a warning that it wouldn't get Government help if it couldn't compete with the rest of the industry.

KEOR's first batch of margarine was processed from hardened oil left over from the joint venture in Kaipara Foods Ltd — a 50-50 deal with Provincial Traders Ltd of Brisbane, owner of the "Dixiebell" brand.

The refining and processing package which KEOR bought from Paraguayan investor Dr Shrian Oskar included a margarine and hardening plant.

KEOR severed its link with Provincial Traders about April, hoping to process its own crude oils into margarine by June 20.

But the plant was late coming on stream.

It soon ran out of left-over hardened oils, and was forced to shop for more stock in Australia.

It managed to pick up 16 tonnes from Melbourne, but a further 20-tonne shipment from Sydney was held up by a wharfie strike, according to industry sources.

Burnett says the margarine line will be running this week from crude oil processed on site, which will mean more Margee on store shelves, and the introduction of another brand, "River Valley".

KEOR refinery manager Kevin Smith said the company wants to capture 90 per cent of New Zealand's margarine market with River Valley and the remaining 10 per cent with Margee.

News of the new distribution plan has not been welcomed by the Auckland Milk Corporation.

AMC general manager Bob Manning struck an exclusive distribution deal for the North Island with Ken Burnett earlier this year, while he was wearing the hat of chief executive of KEOR sister company, Kaipara Dairy Company Ltd.

Burnett gave AMC rights to Margee and some other products which were complementary to AMC's existing refrigerated van delivered lines.

But at that stage, no one outside KEOR apparently knew about River Valley.

On August 15, the general manager of Wellington's Wholesale Trading Co Ltd, M F Dawson, announced that his company had been appointed sole New Zealand distributor of River Valley "edible oil based products".

Burnett may have blotted his copybook in some quarters — but he feels the double distribution deal is "complementary in a way".

The deal worked out with Wholesale Trading by Burnett — as chief executive of KEOR — calls for River Valley margarine and other products to be delivered directly from factory into wholesaler's warehouses.

National freight paid price will be 71 cents net a 500 gram tub. Suggested wholesale is 81.6 cents and retail $1.02.

Dawson said in his circular to wholesale members:

"The first exciting product to be released is River Valley quality table margarine, which will be sold exclusively through wholesale warehouses throughout New Zealand. There will be no van selling or charge throughs at retail level so this will be an opportunity for the wholesale trade to enter the margarine market for the first time on an adequate gross margin."

AMC's Manning acknowledges there might be some problems ahead, but says he regards his organisation like any other distributor.

He says AMC took on Margee because of its compatibility with AMC's other refrigerated lines, but he sounds a warning.

"We'll offer it while it suits us to do so but if the market becomes too chaotic, then we have our own recourse."

It's early days yet for KEOR's factory-to-warehouse distribution scheme, which is untried in New Zealand with this kind of perishable food.

KEOR proposes spending more than $100,000 to launch River Valley margarine, and wholesalers are counting on removal of the remaining butter subsidy to boost demand by the $6 million market.

Wholesale Trading advised wholesalers in its circular of August 15, that River Valley margarine would be available in the first week of September, but promotion has already been delayed to meet that deadline.

Presumably, promotion, plus a wholesale introductory offer on River Valley, will not take place until some time next month.

Wholesale Trading points out in its circular that margarine "shelf life under cool storage (0 deg. C) minimum of 8 weeks" but "under normal temperature (15 deg. C) a shelf life of three or four days".

The circular emphases it will "not keep under high temperature".

Commented an industry observer last week: "Summer could spell big trouble for warehouse to store delivery, then there's the problem of locating warehouses with sufficient cool storage to meet demand at launch time."

Potential strife issue resurfaces in Parliament

AS the mud dried last week on the walls after the "general strike", another potentially disruptive issue resurfaced in Parliament from a select committee.

It was the Fishing Industry (Union Coverage) Bill.

The bill proposes to exclude existing unions from the fishing industry and replace them with a single union satisfactory to the Minister of Labour.

It followed a dispute as to who should unload the German fishing boat, Wesermunde. Watersiders claimed, correctly according to the existing law, that it was their duty.

So far not much has been heard publicly from the union movement on the bill, except in FOL submissions to the parliamentary committee.

But it has been discussed at trades council level and at national level the FOL has begun drawing up a plan of action and intends to protest to the International Labour Organisation if the bill becomes law.

If it does, and boats not unionised or unionised along Government lines attempt to berth at New Zealand ports, harbour board employees almost certainly will not allow them to.

Such action is likely to be supported by the Federation of Labour and backed by its constituent unions.

In the wake of warnings by German industrialists to the Government last year that they could not accept New Zealand's "British-style" unions if they were to invest here, unionists see the fishing boat issue as the thin end of a very long wedge.

FOL president Jim Knox is due to visit Germany soon for discussions with industrialists and union leaders.

Whether last week's action will turn out to be a curtain-raiser to a bigger confrontation on the issue of the right to organise workers into unions may depend on what he finds there.

EDITORIAL

A GOVERNMENT which professes to have lifted price controls and restored free wage bargaining was able to intervene in the drivers negotiations under legislation it passed only recently — the Remuneration Act, which allows wage controls to be applied to specific areas. It has a sister law in the pipeline — legislation under which immediately it threatens to stop transport firms from recovering in prices any excess cost of the drivers pay increase.

Under the Commerce Amendment Bill, the Government is taking power to override by regulation sections of 14 separate acts of Parliament.

Fundamentally, the legislation will allow Cabinet by Order-in-Council to prevent whoever it specifies — not just transport companies — from passing on wage rises to the public through price increases. Almost cynically, the legislation was rushed to the second reading stage within days of the Government increasing New Zealand Railways charges by 12½ per cent because of rising costs.

The new law will allow the Cabinet to limit profit margins, freeze the prices of goods and services, control the frequency with which prices may rise, or limit the costs (such as wages) to be taken into account when calculating prices.

But this Government has established itself as being disconcertingly arbitrary in deciding targets for state intervention. When Muldoon announced a general wage order increase of 4.5 per cent to be applied to all wages and salaries fixed by awards or collective agreements he said: "In setting this figure the Government has taken account of the level of wages emerging in current award negotiations which appears to be something in the order of 10 per cent."

Road transport negotiators agreed in conciliation to an 11 per cent basic wage increase, among other things, in a complex package. Two hours later, Muldoon announced a reduction of the basic wage rate to 9.5 per cent. So why doesn't 11 per cent come within the vague "in the order of 10 per cent"? Metal workers and electrical contractors have since completed awards giving them increases of 10.4 per cent.

Without setting out specific rules, the Government has stepped in to promote "reasonable" behaviour. But Labour Minister Jim Bolger, asked to explain on television, couldn't state what "reasonable" — or, indeed, "free bargaining" — actually meant.

The Government intervened against an award that "would be clearly inflationary" (in Muldoon's words). But MPs have been given a 17 per cent salary increase; Cabinet agreed last week to another 6 per cent rise in the bulk power price rise (on top of a 60 per cent jump earlier this year); rail charges go up from October 7; and internal air fare and freight rates have risen again, by 11.25 per cent.

These inconsistencies bode ill for businessmen. Trade and Industry Minister Lance Adams-Schneider said the Commerce Amendment Act was "designed to deal with specific mischiefs at specific times". If you want an idea of what that means, consider the Government's axing of the annual $40,000 grant to Corso and its passing of legislation to stop the tax rebate on Corso donations. Just three months ago, Corso's controversial film, "A Fair Deal", was screened on television, highlighting the politically sensitive question of poverty in New Zealand. It drew the immediate fire of Ministers who apparently have shown their disapproval now in a more tangible manner.

Bob Edlin

AMERICAN investors often run up against a fortress New Zealand xenophobia when they try to buy and own land here.

But New Zealand is interested in attracting foreign investment. And New Zealand forestry offers an attractive investment for Americans.

First there are tax advantages in this type of investment, but most important, FAO projections show future shortages of timber which will lead to price increases.

New Zealand has a good track record for growing pine and this country's forestry production is projected to quadruple in the next 25 years or so.

New Zealand Forest Products has just struck a deal with a group of Chicago investors that gives the Americans effective ownership of a 4000-acre crop of trees while the land the trees grew in remains in the hands of NZFP.

Pine trees are being planted in the 4000 acre Maremaku Block near Wangarei.

NZFP recently bought this block for $130 to $140 an acre.

The Chicago group, calling itself Forestry International Inc, is made up of a lawyer, two general partners in trading firms, and a dealer with Merrel Lynch. Their interests in New Zealand are being looked after by an ex-Air New Zealand pilot.

Forestry International will reimburse NZFP for all its costs in planting and tending the trees and building logging roads. In return it will own about 80 per cent of the trees at maturity.

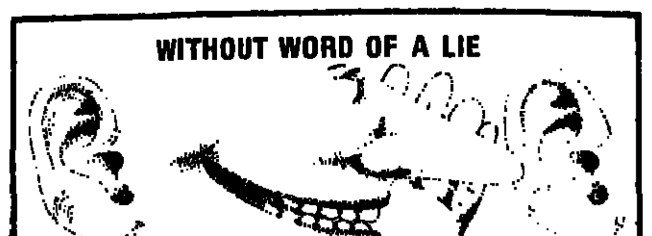
The Americans have rights only to the first crop of trees. After that the block passes over to NZFP together with the logging roads built at the American's expense.

NZFP has first option on buying the trees. If the Americans don't like NZFP's price they are free to sell elsewhere.

In any case NZFP, as the selling agent, will receive an 8 per cent commission.

Pine trees take about 25 years to mature.

WITHOUT WORD OF A LIE



In effect the Chicagoans are buying futures in pine trees, betting timber prices will rise considerably in the next 25 years. Their investments in the trees should come to about $1.5 million.

NZFP managing director Doug Walker said the Americans were interested in further investment of this type. As for NZFP, Walker said it was interested in expanding its forestry base.

Apart from this deal, NZFP has bought the 7100 acre Forsythe Downs property from the beleaguered Haulaways Corporation for less than $1 million.

This property will also be planted in pine.

●

AERIAL work operators have been recalling with wry amusement the efforts of former junior British Minister John Profumo to persuade New Zealand to prefer British to American equipment.

Their recollections have been prompted by the award of a United States Federal Aviation Administration certificate of airworthiness for the Fletcher topdressing aircraft made by New Zealand Aerospace Industries Ltd, Hamilton.

It is the first American type certificate of airworthiness ever awarded to a New Zealand-built aircraft and will enable Aerospace to market the Fletcher in the United States — a quarter of a century after the type first took to New Zealand skies.

The aircraft had its origins in 1951 when the rocketing success of the war surplus Tiger Moth (which gave birth to the aerial topdressing industry in 1949) prompted the then Civil Aviation director, E A Gibson, to draw up a general specification for an aerial work vehicle to suit New Zealand conditions.

When an American manufacturer addressed local operators on his proposals for what he considered would be a suitable machine in 1953, Profumo took time off from the South Pacific Air Transport Council he was attending to urge the operators to buy British, and to promise them that British manufacturers would meet their needs.

In the event, however, Profumo's promises did not live up to the hopes he had built into them, and the American Fletcher became New Zealand's major aerial farming tool.

The first prototype Fletcher, incidentally, is still flying. It carried more than three times the average load of the Tiger Moth.

Since then the Fletcher has moved from California to Hamilton to become a wholly-owned and locally-built type and its subsequent development has brought it to the stage where it can carry four times the load of the 1955 prototype 50 per cent faster.

That is one of the factors the award to New Zealand of the American certificate of airworthiness acknowledges.

●

THE inter-union report on the impact of the "new technology" (see Page 00) contains some delightfully quotable quotes.

Our personal favourite is: "It must be recalled that the present is the future of the 1950s." In case you missed the point of that statement it is ... that we were ... predicting the ... future in the 1950s ... unlikely to be any better.

An honest, if rather ... statement for a report ... spends over 50 pages ... make such predictions.

"The automation ... records area is ... cards," say the ... They're a little ... times, surely. ... automation of records ... on the floppy disc ... magnetic tapes.

A final interesting ... stration of attitude ... equality of the sexes ... realise that it is ... appropriate to use ... blanket term for both ... but it now seems ... even to say "his-or-her" ... are still giving the male ... prominence. Approved ... union style, apparently ... "her-his".

●

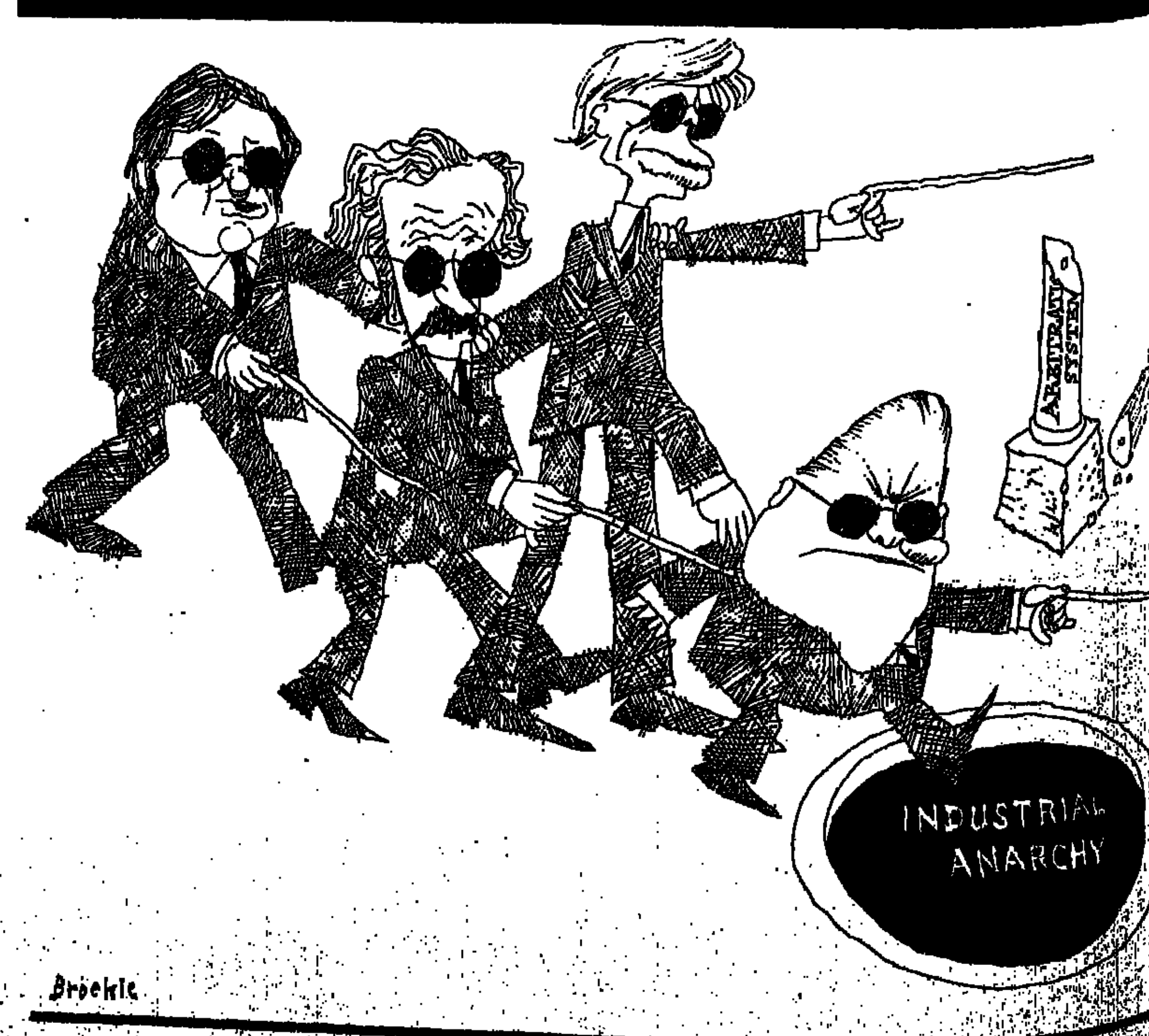
THE rules governing ... conduct of public ... are like New Zealand's ... ill-considered and ... passed legislation ... constant change.

As in the case of ... burgh trust company ... this year discarded the ... placed on its equity ... its formation 90 years ... most of the changes ... made to conform to ... practice. Hence, in ... "deferred stock" ... "ordinary shares".

In New Zealand, ... recent changes to ... articles have been ... comply with today's ... Exchange list... requirements.

Nevertheless, ... practice many would ... see introduced locally ... annual publication ... panies of say the top ... major shareholders ... with the year ... shareholdings of each ... of a company's ... directors plus those ... families.

BROCKIE'S VIEW



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Complementarity: or Cross-stitched programming

NBR catches up with two recent shows. Bob Edlin was present at the Broadcasting Corporation's show in Wellington's James Cook Hotel the other day, when the hopes and aspirations of Television New Zealand were unveiled. And Tony Hiles was bemused by what he found at the recent trade fair....

THE broadcasting boys called a press conference the other day for the unveiling of an outline of the way things will look on February 16.

That's the day when the combined two-channel operation of Television New Zealand comes into service (viewers are cautioned not to adjust their sets; upheavals have become so commonplace in the unhappy world of television that there's sure to be more reorganising).

The advance publicity for the Ian Cross version of publicly controlled television had been a bit critical, of course, so the corporation's PR team obviously wanted to create a good impression. Perhaps that's why Avalon and Broadcasting House were ruled out as venues and the James Cook was selected as the place in which a bit more grizzling could be done about the inadequacy of the licence fee.

Or maybe neutral ground was deemed appropriate for a meeting between electronic media moguls and the gentlemen (and ladies) of the press. Specially since the broadcasting team outnumbered the print crowd (so many were their numbers that production director general Allan Martin could be forgiven for forgetting the name of one of his subordinates as he introduced them).

Martin? You might have forgotten, but he was once a chief executive in his own right — the first director-general of an independent corporation called TV2.

But those were the days of *competition*. The catch-cry *now is* complementarity — using both channels in a complementary way to give viewers a better deal, as chairman Ian Cross proclaimed proudly.

Programming controller Des Monaghan elaborated; two equally popular channels are being aimed at under the new service (which, if you have a wee think about it, could pose some dilemmas when your household comes to deciding what to watch, or where your business should place its adverts).

But in that gentle Irish way of his, Monaghan explained that because channel one reached the bigger audience, certain types of programmes would be shown on that channel (making it more equal than the other, obviously). Current affairs, sport, and the 6.30 news, for example.

In the past, the general rule had been not to schedule like programmes against like. This approach would be refined so that programmes designed to appeal to certain audiences would not be scheduled against each other.

Some of us may be unkind enough to suspect that this fine tuning is what it's all been about — shuffling the programming to eliminate nasty competition.

That would mean that a comprehensive overhaul of the system has been required merely to implement a switch in policy — an overhaul requiring a new line-up of job designations, job applications and appointments, shifting the news operation to Auckland, depressing staff morale, and leaving us wondering what will happen to poor old Dougal Stevenson.

You might think that co-ordinating programmes to the board's satisfaction would require only the issuing of appropriate instructions from the top. But then you can't comprehend the workings of the fine tuner on your telly set either, can you?

So far as the businessman is concerned, Chairman Cross hopes to see Television New Zealand substantially increasing its value of advertising.

Advertising agencies reportedly are dubious about the potential for more placements.

And they are apprehensive that the 15 to 20 per cent revenue boost which Cross expects will be realised, largely through new advertising rates.

Not that extra revenue is needed to pay for the new emphasis to be placed on regional news — at least, not according to Cross and the team.

They have no completed budgets yet, but are confident the regional news programmes can be done with existing staff at current budget levels.

And shifting the news centre to Auckland (not yet officially announced) would cost "not one red cent", news chief Bruce Crossan insists.

And who can argue?

Some may recall assurances that the merger of Air New Zealand with NAC would lift airline revenues by $10 million a year, or something.

But those airline chaps always were up in the clouds . . .

. . . but whose was the hand behind the curtain?

I DON'T know how many of you peered into the dimmest recesses of the Trade Fair at the Winter Show building, but I hope you managed to catch what was, for me anyway, exhibit et supremo.

It was behind one of the Japanese stands, tucked into a corner.

If it hadn't been for the odd behaviour of the bloke running the stand I might have walked straight past, as most others did.

Odd behaviour? Well, he was acting as though thousands of spectators were hanging on his every move. In fact, I was the only one.

I moved closer to observe this showman in greater detail. He was tall with grey hair and a sort of benign saviour image.

On his grey suit lapel he had a stick-on label which said "Hi!! I'm . . ." and underneath in shaky felt-pen was ". . the Gobfather". I presumed he had meant "Godfather", but had written it upside down, after he'd stuck the label on.

Beside him was a table-top model of a circus tent and ring, complete with model people and animals.

A small handle sticking out of the side of the display was being turned by the grey man, causing some of the animals to wobble and move mechanically around the ring.

I was mystified as to the purpose of this automated child's toy and looked around for an explanation.

There was nothing in sight so I looked questioningly at the grey man. He smiled and said, in a voice like an empty Weetbix packet, "Television restructuring".

I looked anew at the circus tent, and noticed finer details like the horses with three legs, the elephant walking backwards and the ringmaster with a broken whip.

There were odd bits of plaster and blobs of glue here and there, indicating a rather hasty construction.

Suddenly there was a tremor from the Yugoslavian Tractor stand which caused one of the supports for the big top to give way, aided by the reckless daring of the model trapeze artist who flew into the safety net and out the other side.

The grey man kept turning, as though nothing had happened.

With a scraping noise the animals in the ring jerked their way to the exit, disappearing behind a screen. The model orchestra twitched into life, squeaking out an almost inaudible fanfare to herald the Krazy Kapers of the Krazy Klowns, rapidly emerging from the elephants exit.

They weren't very good. Some of them had obviously missed Klown Training and just stood, wobbling. Two were trying to steal each other's jokes and another seemed convinced he could walk across the water in the elephant bath.

I was disappointed with this last act and voiced my displeasure to the man in grey. He just repeated, in his Weetbix packet voice "Television restructuring. Television restructuring" and kept on turning the handle.

I moved even closer, attempting to see what was behind those twinkly eyes and the belt-driven mouth. And then I saw the answer.

Sticking out of the grey man's back was another handle, slowly being turned by another hand.

I couldn't see whose hand, because it was hidden behind a thick blue curtain. Enigmatic, to say the least.

So why was this exhibit number one for me?

It was the only one I couldn't really understand, the only one obviously not working properly, and the only one that *made me wonder who was controlling who.*

Monitoring group takes pessimistic stance

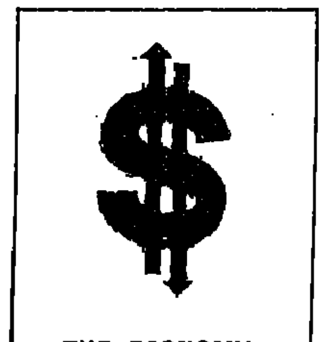
Economics Correspondent

THE Prime Minister is always harping that New Zealand journalists are doing the country a disservice by claiming that the economy is in poor shape. Yet he recently concurred with a report by the Planning Council's Economic Monitoring Group which was pessimistic about New Zealand's immediate economic outlook.

And while the monitoring group is a quadripartite of highly respected citizens with expertise within the economic and business professions, their report is little more than an exercise in journalism.

It certainly cannot claim to be an exercise in economic research.

It is a carefully written commentary on the economy and as such its conclusions are remarkable. Many of the so-called nit-picking statements by journalists about the economy are repeated in this report.



THE ECONOMY

The second report of the Economic Monitoring Group, New Zealand's Economic Trends and Policies, September 1979, begins: "The current economic situation is still dominated by the balance of payments position and persistent high inflation."

Nothing has changed. This is very nearly the same thing the present Minister of Finance and Prime Minister said in the 1976 Budget. "The new Government which took office in December of last year inherited an economy that was faced with four major problems.

"The first was a record and growing rate of inflation; the second was a massive and increasing deficit of Government revenue as against expenditure . . . the third was a massive external current account deficit . . . the fourth major problem was a level of unemployment . . . running at a near-record peak."

At the time of the 1976 Budget, the annual rate of inflation was over 16 per cent, the Government's deficit before borrowing for 1975-76 was just over $1000 million, the balance of payments deficit for June year 1976 was $915 million and unemployment (including those on special work) was less than 12,000.

Although both the rate of inflation and the balance of payments deficit are lower now (the annual rate of inflation is around 12 per cent and the balance of payments deficit for June year 1979 was $627 million), both are on a rising trend. Inflation could easily peak at above 18 per cent and the balance of payments deficit is likely to rise above the $1000 million mark by late in 1980.

And, of course, this Government has a massive and increasing budget deficit. Expenditure exceeded revenue by $1446 million in 1978-79. The deficit could be even higher this year, despite an expectation by the Government that income tax receipts will grow by a whopping 25 per cent.

Unemployment is more than four times as great now as it was in 1976.

The root cause of such high unemployment and possibly the other economic problems as well is the Government's own economic policy. Or in the Economic Monitoring Group's more euphemistic language:

"The problems of stabilisation since 1975 have been addressed by more active fiscal and monetary policies... The emphasis of policy in 1976 and 1977 was to reduce domestic spending, and consequently production fell."

TABLE 1: PRODUCTION AND INCOME GROWTH

March Years	1960-69	1970-74 (Average Annual Rates of Change %)	[illegible]
Real Production	4.0	4.5	[illegible]
Real Production per Employee	1.9	2.2	[illegible]
Real Private Income	2.4	3.3	[illegible]
Real Private Income per Capita	1.5	2.4	[illegible]
Real Salary and Wage Income/Employee	1.5	4.6	[illegible]
Real Disposable Salary and Wage Income per Employee	1.3	3.5	[illegible]

Sources: Derived by Economic Monitoring Group, Department of Statistics and EMG estimates.

TABLE 2: MOVEMENTS IN AVERAGE EARNINGS 1972-79

Date	Average Ordinary Time Weekly Earnings 1	Annual Percentage Change	Index of Real Average Ordinary Time Weekly Earnings 2	Annual Percentage Change
April 1972	60.97		[illegible]	
April 1973	67.89	11.3	[illegible]	[illegible]
April 1974	77.07	13.5	[illegible]	[illegible]
April 1975	91.61	18.9	[illegible]	[illegible]
April 1976	102.94	12.3	[illegible]	[illegible]
April 1977	118.16	14.9	[illegible]	[illegible]
April 1978	132.18	11.9	[illegible]	[illegible]
April 1979	153.45	16.1	[illegible]	[illegible]

1. Average for all persons (male and female)
2. Average Earnings as at April deflated by the Consumers' Price Index as at June
Source: Derived by the Economic Monitoring Group, Department of Labour, Half Yearly Survey.

"Largely as a response to the tight budget policy during those years and the large balance of payments deficit, New Zealand experienced the most protracted recession since the Depression of the 1930s."

As Table 1, "Production and Income Growth" shows, the result was slow growth in production, real incomes and real disposable incomes (incomes after tax) over the four years from 1975 to 1978. The rate of growth of real production per employee is not a precise measure of productivity growth but the fall in this statistic suggests that there has also been a significant fall in productivity growth, according to the Monitoring Group.

Things are looking up in 1979. From late 1977, the Government's policy has been directed towards halting the decline in production and confidence and the rise in the number of unemployed. Further impetus was provided by the 1978 Budget.

According to the Economic Monitoring Group, "These measures were major factors reversing the decline in production and spending in the economy." But, "in spite of this recovery of production growth it would appear that the level of production is still only at the levels achieved during 1975-76 and 1976-77".

And an important feature of this recovery which distinguishes it from previous cyclical upturns is that "the recovery of production and spending was initiated by Government fiscal and monetary stimulation, rather than by an external stimulus from export prices".

Instead of following the traditional pattern of export-led growth, the upturn has been led by consumption growth and has occurred while the country still has a large balance of payments deficit.

The Economic Monitoring Group reports further that "in spite of the consumption growth and the rapid increase in the money supply, there has been no recovery in private sector real investment. Instead, the increased consumption demand was met by reducing inventories, utilising some of the excess production capacity and increasing imports".

"Consequently, there has been no reduction in the level of unemployment."

The balance of payments deficit might have grown rapidly over the last year or so, except for several factors. First, sectors which traditionally use a high proportion of imports showed little growth so that investment and hence demand for imported capital goods declined. For this reason, growth in the demand for imports has been more moderate in comparison to past cyclical upturns in domestic production.

Secondly, agricultural production increased substantially during 1978/79 which means a significant increase in the supply of exportable production. This was reinforced by the increased supply of wool marketed by the Wool Board following a sharp lift in prices early this year.

But while the Government's expansionary fiscal and monetary policies did not result in a higher balance of payments deficit, they contribute to a higher rate of inflation according to the Economic Monitoring Group. The resulting growth in private sector credit and money supply have "helped induce and accommodate an increased rate of growth of wage rates".

As Table 2 shows, average ordinary time weekly earnings increased by 16.1 per cent during the year to April 1979 compared with 11.9 per cent in the previous year. It is the Monitoring Group's view that "in the more buoyant conditions which have prevailed in recent months, these increased wage costs are inevitably passed on in higher prices, and thus were a principal factor in the increased rate of inflation since the beginning of 1979".

This sort of talk is fine music to the Prime Minister's ears given his desire to control wages. In commenting on the Monitoring Group's report he said: "I agree with the group's assessment that the Government has little alternative but to follow the policy of selective intervention in the wage bargaining process against unions exercising disproportionate power."

But the Monitoring Group does not only blame wage costs for causing the inflation rate to grow. "Other factors which contributed to higher inflation in this period were sharp increases in meat prices and Government charges."

And, of course, it is the Government's own fault for introducing policies which accommodated wage increases in the first place.

In the next 18 months, wage settlements are just one of four factors which will have a dominant influence on the economy in the view of the monitoring group. The other factors are the Government's budget policy, external developments (particularly oil prices) and the rate of growth in agricultural production.

In the end, the Economic Monitoring Group does not recommend one line of policy to the Government. Because their report is not based on research or on a considered analytical approach, how could they?

But while the Economic Monitoring Group's report does not provide the Government with any hard and fast policy options, it makes one thing clear: It will be some time yet, before the Prime Minister can expect journalists to stop writing pessimistic stories about the economy.

Aviation policy: South Pacific pact tipped

AIR New Zealand board member Doug Patterson has given an important clue on the future shape of the country's international aviation policy.

The policy has been under a high powered review since late last year and is due for revision shortly.

Patterson is currently touring the country in his capacity as president of the National Travel Association, giving top businessmen the message that tourism has a prosperous future for those prepared to invest in it.

He's suggesting a new remoulded alliance between New Zealand and other South Pacific island countries to create a multi-stop route between the United States and New Zealand.

Australia is largely excluded from the Patterson scheme. That's because Australia has taken itself out of the South Pacific tourist orbit to go it alone.

Australia's point-to-point cheap air fares agreement with the United States makes it difficult to combine travel to that country with other destinations.

Because the agreement penalises the traveller who wants stop-overs, deviations from the main route, and because Australia has to be both the point of arrival and point of departure, the American traveller is effectively deterred from going to other places en route.

Previously the dominant mode of travel to Australasia was to arrive in one country — either Australia or New Zealand — and then move to the other before departing for home.

Point-to-point fares effectively put an end to 'open jaw' travel of that nature, except at a high financial premium. Return trans-Tasman travel for example would be involved for any side excursion to New Zealand whereas only a one way journey was necessary before.

Patterson is suggesting an alliance between New Zealand and the island destinations of Samoa, Tonga, Fiji, New Caledonia and Tahiti, and Rarotonga.

With the exception of Tonga all are served by Air New Zealand directly from this country and most are en route points for the airline's all important Auckland Los Angeles services.

"All these countries either in total or selectively can be promoted as a package in North America and Japan as the 'Exotic South Pacific' — a new and relatively unexplored tourist destination", Patterson said.

He is advocating persuading our Pacific Island neighbours to join with New Zealand in creating this destination based on the view that "joint promotion is more effective than individual effort".

Earlier this year Australia pulled out of a planned joint tourist promotion in the United States and Canada, leaving New Zealand to go it alone.

Conventional tourist industry thinking has been that the South Pacific area as a whole must be sold as a destination for it to be an attractive proposition. And also for the meagre resources of many of the individual countries to have any impact in mass travel markets like North America and Europe.

Australia, however, is convinced it is large and has sufficiently diverse attractions for it to stand alone.

Patterson said New Zealand has 'no show' of going it alone, hence the merger of interests with island states.

He wants a different sort of airfares policy to that of the Australians.

"What must come out of the aviation review is a policy which enables the United States traveller to visit as many destinations as possible. We must encourage the (regional) airlines of the South Pacific to get into pro-rating and interlining exercises."

Air New Zealand's current fare package to the United States penalises the traveller who flies only part of the way with that airline, and rewards the through (or online) traveller.

To achieve Patterson's goal of multi-destinational stops through the South Pacific would require an individual tour and a group tour fare structure which would allow stopovers while still giving the traveller some significant saving on the present economy fare.

If Patterson's thinking reflects the Government's official review then the new Pacific fares may have a two pronged approach.

On the one hand there may be a point to point cheap fares regime for the New Zealand originating traveller wanting to go to the United States (and by extension to London), and a multi-stop over tour basing fare for the United States originating traveller.

The principle already embodied in the present system of the north bound traveller paying more for a comparable journey than the south bound traveller could be retained, and the margin between the two widened.

Nafta tinkering is 'not enough': hardliner calls for all or nothing

AN all-or-nothing scenario for transTasman trade was painted last week by Australian Minister for Special Trade Representation Vic Garland in Wellington.

Garland, who hails from the "secession state" of West *Australia*, said that either the two countries would get closer together, or they would drift further apart.

He made it clear that in the Australian view, mere tinkering with the New Zealand Australia Free Trade Agreement (Nafta) would not be enough.

Nafta had reached a plateau, he said. "To go further with it would hurt industries on both sides of the Tasman. It is hard to see where very much more can come out of it."

Some ministers in Wellington would agree, among them Deputy Finance Minister Hugh Templeton.

But Trade and Industry Minister Lance Adams-Schneider was last week spouting the cautious Manufacturers Federation line: that there was life in Nafta yet.

The manufacturers two weeks ago rejected trans-Tasman free trade because they felt it would stop attempts to broaden the export base.

"We believe there are positive steps that can be taken to give Nafta a fresh impetus," they said. In particular they wanted more items given duty-free access or monitored Licences on demand under schedule A and "the effective implementation of schedule B arrangements."

Substantial improvement of Nafta has been one of the options under consideration by officials.

Garland insisted that he did not have any preconceptions as to what sort of arrangement might emerge.

What that might be will await a meeting between the two countries' prime ministers scheduled for February. But even then, people involved said last week, finality may be some way off.

Certainly nothing will move in New Zealand for another three weeks — until Prime Minister Robert Muldoon returns from his latest gadabout.

Garland's original appointment to his curiously named portfolio was to negotiate a deal with the European Economic Community, a task completed recently.

As he was getting ready to leave last week a minister from an EEC country flew in. John Nott, British Trade Secretary, came to boost his country's flagging trade (and incidentally to reassure us about the new Conservative Government's commitment to preserving something for New Zealand in the EEC's butter market).

Allied suitors: Smith, OPP and Mt Cook

Christchurch Correspondent

THERE is probably no more sensitive area in which to attempt a takeover than the newspaper industry and Mount Cook Group's bid for control of Dunedin's Allied Press is thus a bold move as well as an intriguing one.

Allied Press has been on the defensive most of the year. A small company with only $1.9 million issued capital publishes two of the oldest newspapers in the country. Its morning newspaper, the Otago Daily Times is in its 118th year and the Evening Star in its 116th.

The New Zealand environment, especially in the deep south, means that results are limited by the size of the population and profitability particularly depends upon advertising buoyancy which in turn is dependent upon the economic climate.

Warning signals were emitted in July when Allied worried about sales of several large parcels of its shares to then undisclosed buyers.

Allied stated that it deplored any asset stripping or short-term capital gain attempts which would be at shareholders' expense.

"In this case the objective could be to attract other bidders into the scene on a takeover basis to enable the original buyers to sell out at a handsome profit."

With that off its chest, the Allied board said they didn't envisage the July buying as a takeover and conceded that there would obviously be a firming of their share price. They did not issue a "don't sell" warning to shareholders as a result.

The July buyer was *H W Smith Ltd, the recently* restructured Christchurch timber company turned company investor, and it finished up with several former big institutional blocks crossing over and finally held 16 per cent of the Allied capital and became its biggest shareholder.

That status didn't seem to impress Allied. Concerned still for its other shareholders, the Allied board appear to have arranged August's sudden

WHAT THE BROKERS SAY

takeover bid from local sources, combining as a new company called Otago Press and Produce Ltd to check Smith.

That concern, as H W Smith pointed out, did not extend to the usual courtesy of notifying the stock exchange of negotiations which might affect the share price and issuing the normal "don't sell" warning to shareholders.

Directors announced that Allied had received a bid worth $2.10 a share from OPP and simultaneously recommended acceptance of the offer.

"Since H W Smith purchase a considerable holding of shares, directors have been concerned about the vulnerability of the company to any takeover offers and a possible breakup of the company by the sale of its assets."

OPP is the new name of the holding company of well-known Dunedin group John Fraser, a group including three major operating companies distributing eggs and poultry, operating fruit and produce markets, selling builders' supplies and dealing in real estate.

The financial omelette which it whipped up was $1 cash plus *one fully paid $1 share in exchange for each $1 share in* Allied Press. Value per share was 210c.

It would list on the stock exchange, estimating its market price to be $1.10.

Smith found the offer unpalatable since it would get 317,000 shares in a company unknown in financial structure or in its ability to sustain a $1.10 market. The cash element was to be spread.

Against this backgroun, Mt Cook sprang its surprise bid for a stake in the newspaper world, offering nine Mt Cook shares for eight Allied Press plus 25c cash per share; ex the 11c Mt Cook dividend it values Allied at 233c.

It would involve Mt Cook in the issue of 2.2 million shares and $493,830 in cash. The offer has several factors working favourably.

Mt Cook has just achieved a $1 million record profit compared with the unknown performance of OPP and has come through a weak snow season reasonably well.

It no longer depends on Coronet Peak snow for its profitability but the involvement there and at other deep south tourist resorts, through its airline and coach activities and freight operation, give it close association with the region served by Allied Press publications.

Its general manager Philip Phillips is no stranger to the newspaper industry. He was the executive general manager for Allied Press before shifting north to Christchurch and he put together the merger of the ODT and Evening Star companies.

There is a rationale for linking two diverse organisations in that cash flow patterns would dovetail neatly and help overcome the fluctuations of the tourist sector. Phillips has made placating comment on editiorial quality coming first and says the existing board of Allied would be retained "in situ" as an editorial board.

Allied is no lameduck operation although it dumped its long running "Star 7 O'Clock edition" last March because of increased costs of production and declining support.

In its place the free Star Weekender has had a saturation circulation and was reported as making a contribution to profit.

Mt Cook have said they have no asset stripping operation in mind but some assets could be tempting to sell. Allied has 41 per cent of Naylor Love Contruction Ltd; 50 per cent of Ampac Ltd and 50 per cent of Amalgamated Packaging Ltd.

Allied also has a share portfolio in other listed public companies showing in the latest balance sheet at $644,989 but likely to now have a market value closer to $800,000 - $900,000 because of the rising sharemarket since March.

Allied Press may be liquid but there must be some doubt about using that for short-term profits. Like some other small metropolitan newspaper companies, Allied is facing very expensive conversion to advanced printing technology. Purchase of computer-based photo-typesetting and printing equipment will involve Allied in substantial capital expenditure.

While the Mt Cook bid will be welcomed by H W Smith, OPP was more favoured by Allied and battle lines were being drawn last week, Mt Cook even advertising its case in one of Allied's own newspapers.

To underpin its bid, Mt Cook arranged the support of a "investor" which stood ready absorbing up to 1.2 million of the shares they planned to issue in the takeover, up to a floor price of $1.75. NBR understands that this is not H W Smith and is a nominee company.

The intriguing aspect is the widespread suspicion that Mt Cook luanched its bid to throw a bidder for itself. Phillips makes it clear that he is not attempting to duck a bid but with the removal of Tourist Holdings into the UEB camp the only companies with tourist activities on the market are Mt Cook, TNL, Mildura and Vacation.

Mt Cook's two-for-three bonus issue earlier this year is believed to have been made to avoid a takeover offer from TNL.

Some other substantial companies have been eyeing the polished Mt Cook operation and if the Allied move fails "lost face" may not be all Mt Cook experiences.

Union researchers stumble through technology

Special Correspondent

IN the cloud of contradictory views on the social effects of "new technology", any attempt to clarify the New Zealand situation must be welcome.

A trade union report is likely to err on the side of caution perhaps, but a prolonged study involving resources from six unions and the FOL should come up with something of objective value.

The "report back" of the inter-union working party on new technology is a big disappointment.

The statistics quoted in support of the union's views add to confusion, rather than clarifying it.

Figures from actual experience are there in plenty, but they jostle with estimates, assumptions and plain guesses, all contradicting one another.

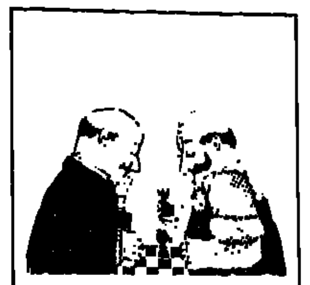
As a typical example, the wordprocesser, as the report spells it) is variously estimated to "replace 2½ to 5 typists", to improve efficiency "in more typical offices by 200 to 250 per cent", and to boost "productivity ... on average ... by 130 per cent".

Maybe there's some subtle difference between productivity, efficiency and replacement — but surely, to replace five typists, you would need an improvement of 500 per cent at least.

So it continues, through electronic funds transfer in banking, point of sale retail terminals, typesetting, manufacturing, and the rest — a welter of inconsistent statistics, mollified by frequent insertions of the words "possible", "estimated" and "expected".

There is no doubt of the general message: "new technology", in all its forms, erodes jobs and does not replace them.

In this respect, the report contends curiously, recent



THE INDUSTRIAL FRONT

advances are radically different from those of the first Industrial Revolution.

"Up to the present," say the unionists, the introduction of new technology... has also created new occupations, and it has provided the impetus for general economic growth and the expansion of employment opportunities."

Latest advances are taking place against a background of inflation and recession, says the report.

Quoting low economic growth figures for the past few years, it implies that this situation will continue, and that therefore the new jobs in primary industries, manufacturing and tourism, predicted by Professor James Duncan of the Commission for the Future, will not eventuate.

But there is little attempt to show that new technology will not itself encourage economic growth.

In this area, the report contents itself with showing that a competitive microprocessor industry is not feasible in New Zealand.

It is also argued that potential for software export is overstated (software people would be interested to read that SPL's Progeni is considered to be the last piece of exportable software produced in this country!).

Looking at it from the other direction, will failure to exploit new technology lead to reduced competitiveness in the international market, and hence stifle growth prospects?

WORD PROCESSOR ... attacked by contradicting guesses.

That is an often-asked question, and one which again the report glosses over as a piece of employers' propaganda.

Other effects of technology, from home-based working to health effects of VDU screens, are presented in a negative light.

The whole document is clearly technically ill-informed.

To quote two examples: microfiche is confused with viewdata, and databanks are confidently priced at "$160,000 approx".

All this is not to say that the report is devoid of constructive points. But it takes some searching to find them.

Most of the worthwhile stuff is at the back, under the heading "The possible consequences of technological change."

Under the employment heading, this section does some positive thinking about the economics and sociology of worklessness, and shorter working hours, weeks and lives.

Organisation of employed and unemployed to achieve a minimum income, is seen as an important priority.

The severity of the effect on women and the young is strongly underlined.

Education and training is dealt with at some length, and the recommendations come over forcefully:

- Training should cater for what the worker wants to do, rather than being tailored to some hypothetical distribution of occupations.
- Education and re-education should be provided "at any stage of a worker's life, with no financial loss".

Union strategies to meet the problems fall under three headings: insistence on provision of "prior information and subsequent negotiation" when any change is contemplated, assurance of no redundancies, and exploitation of the opportunities for a reduced working life.

Above all, it is emphasised, co-operation among unions is required.

In fact, when the report comes out from under its statistics and polemic, the ideas turn out to be quite constructive.

The bulk of the document, though, gives the overpowering impression that however we foresee the consequences of electronic advance, we will be as wrong as the Luddites were about machines.

The information for a reliable prediction is just not there.

Bank teams line up for battle of plastic cards

Special Correspondent

THE teams have lined up for the main event of the 1979-80 banking season — the battle of the plastic cards.

The curtain-raiser was played earlier this year when the parties presented evidence to the lengthy hearing of the Commerce Commission (due to publish its findings about October). Soon the main game will kick off.

The Bank of New Zealand was the first on to the field with its debit-now-it's-a-credit Visa card, and is recognised by supporters as the playing through champions.

In July the National Bank fielded its team, led by the "Joe Cool" one-man-dance-ensemble-of-Parnell. Its chanting haka "Zip Zap" was soon on the lips of every under 10 throughout the country.

The Bankcard team has yet to take the field, but it must be due out soon. Kick-off has been promised for the last quarter of 1979, and the Bankcard banks, (ANZ, CBA and NSW), will be anxious to have the card operating for retailers to take advantage of the Christmas spend-up.

Bankcard is being managed by a new company — New Zealand Bankcard Associates Ltd — based in Auckland.

It is emerging as an aggressive and successful marketer, but can benefit from the others' mistakes.

Not since the introduction of decimal currency in 1967 has there been so much abuzz in banking circles, an area of business where everything is generally considered in a conservative light, and there is much hand-holding to present a united front.

MARKETPLACE

The launch of BNZ Visa was one of the classic public relations blunders.

The card was introduced as a debit card, attracted considerable public opposition, and as soon as the other banks declared their intention to press on with credit cards, Visa became a credit card too.

Originally promoted as a substitute for cheques, the Visa card gained little support from the retail community because of the higher processing charges. Merchants who had put the Visa acceptance stickers in their shop windows just as quickly removed them.

Visa is now operating in New Zealand, and New Zealand cardholders have the advantage of the international application.

But much of the confidence in the name has been reinstilled by the National Bank, also marketing Visa, and helped by some entertaining television film-making.

Both the Visa banks are obviously desperately marketing for more merchants who will accept the Visa card.

The flat rates being agreed with airlines (NBR, August 29) of 1.9 per cent and 2.25 per cent reflect their absolute determination to get into this business no matter what.

BNZ VISA . . . misses mark

The BNZ chose to distribute its card through unsolicited mailing. New Zealanders objected to the implications of having a card supplied, and, its being considered operative if not returned within a required period.

The National Bank ... card distribution ... mixing both card drop and application approach to ... public backlash.

The three Bankcard ... have yet to distribute ... cards, but they have ... to prospective card... inviting application ... response officially has ... "above expectations", ... means there could be ... 160,000 Bankcard cards ... marketplace at launch.

Once the cardholder ... merchant marketing ... peaked, New Zealanders ... expect to see a ... considerable sum spent ... credit card advertising ... particularly as Christmas approaches.

The card battle ... waged on the television ... and in the media.

Retailers have also complained that BNZ ... promised a ... television advertising ... programme, but little ... tuated.

The National Bank ... its name to the Visa ... has given little education ... advice to cardholders ... how to use cards, or ... important how to budget ... for purchases made ... card.

The Bankcard advertising men must be on the horns ... dilemma. To follow ... National and try to improve ... "Joe Cool", or to take ... ferent approach and risk ... buried in the wave of ... non-impact television ... vertising.

Watching from the ... must be the travel ... tertainment comp... American Express and ... Club. They retired from ... initial hearing of the ... merce Commission, ... their cards were used ... for travel and entertainment purposes. But it is surprising to see the high level of ... acceptance that the T ... cards enjoy.

From the public's point of view, the introduction of ... plastic cards for credit ... inevitable, and many ... Zealanders will be delighted ... find they have an "automatic" credit level of $500 or ... instead of having to go "cap in hand" to their bank manager for an overdraft facility.

And they won't be anything new . . . or not for much longer.

Rental car companies ... offer cards; airlines ... cards; even city buses ... accepting their own ... travel cards; parking buildings have entry machines operated by plastic cards and many security systems are card-oriented.

But for the banks, the revolving credit facility is a new service. In the past a customer wishing to make a purchase on credit has generally tried to arrange his own finance or else take advantage of in-store credit facilities.

In both cases, the finance might originate from the bank anyway, but now the banks are showing their hand by directly offering the credit facility and encouraging people to take advantage of it.

That has meant an "about face" by the banks because a few years ago, banks were grim and forbidding, they discouraged customers from taking money OUT.

But it may be part of the new competitive stance which the banks are taking generally, particularly as far as credit is concerned.

And, many would say, it is probably not a bad thing that the banks are being made to become more competitive.

NBR BUSINESS WEEK

Deposit certificates boost calculator sales

by Peter V O'Brien

THE Development Finance Corporation has produced another uncommon security for New Zealand financial markets.

The team that reintroduced bearers notes to you is now offering "Negotiable Floating Rate Certificates of Deposit", in units of $50,000 each.

If that terms looks a mouthful, there is more to come when we examine the "Information Memorandum" accompanying the placement.

Before anyone rushes off to the DFC with their hard earned $50,000 (or multiples thereof), it should be noted that the issue is a "placement", and, presuming all the $10 million worth of certificates are placed, it will be taken up by financial institutions.

The certificates of deposit are "bearer certificates", a type of security which caused a minor flurry when the DFC issued bearer notes. The Information memorandum has a special note about taxation, pointing out that the "responsibility to make returns and the liability for tax remains with the seller after transfer until the seller has given notice to the commissioner in the prescribed form. In this context the corporation will advise the commissioner of the names, addresses and descriptions of the initial purchasers of the certificates".

The "floating rate" is an important element of the certificates. Interest is payable quarterly, and the rate is "the rate determined by the agent (Francis, Allison Symes & Co, Wellington sharebrokers) as the rate per annum equal to one-half of 1 per cent above the arithmetical average (rounded upwards if necessary to the nearest whole multiple of one-sixteenth of 1 per cent) of the mean of the rates bid and offered at or about 11 am on the second business day prior to the beginning of such interest period, for readily negotiable 90 day trading bank certificates of deposits in denominations of $250,000 by such of the referees, being not less than two in number, as shall communicate such rates to the agent..."

Is that understood? No? Well it is a roundabout legal way of reaching the result in the following example.

There are three referees; AMP Acceptances (NZ) Ltd, Bank of New South Wales, and South Pacific Merchant Finance Ltd. The referees must quote their rates with a maximum spread of 0.25 per cent.

Let us assume that referee one quotes 11.25 and 11.5 per cent, referee two quotes 11.375 and 11.625 per cent and referee three quotes 11.35 and 11.6 per cent (the range will probably be less, but the figures serve for the example).

The mean (middle point) of referee one is 11.375, that of referee two is 11.5, and for referee three it is 11.475 per cent. You then add those three figures together and divide by three, that is, a total of 34.35 per cent dividend by three which gives 11.45 per cent. Add 0.5 per cent to get 11.95 per cent, and presto (if you are still with us) you have a quarterly rate of interest for a "Negotiable floating rate certificate of deposit".

The mathematically minded might quible at the method, which uses a three stage system.

The same result is obtained if the maximum and minimum quotes of all the referees are totalled and then divided by six. You find that unbelievable? Well watch this.

Add 11.25, and 11.5 and 11.375 and 11.625 and 11.35 and 11.6. You get 68.700 per cent. Divide by six and the result is 11.45 per cent. Marvellous what you can do with figures. Try it with any other combination of figures, or for two referees, and the result is the same whether the method used is that set out in the certificate or the adding of six figures and dividing by six.

Apparently the lawyers worded the term used in the certificate.

We got the same result using a simpler method, aided by that electronic marvel, the pocket calculator.

After that little piece of fun, it is appropriate to comment that the new security appears an interesting addition to the financial instruments available in the money market. The certificates are negotiable and a secondary market should develop. The information memorandum says they can be quoted and traded on an accrued interest basis, and gives an example of a settlement price calculation.

The maturity date is 1984, but there is an option to redeem at par on November 15, 1982 after not less than 60 days and not more than 90 days before that date. The interest rate calculation will mean an effective realignment to ruling market rates on a quarterly basis.

The DFC can also purchase the certificate at any time in the "open market or by tender or private contract".

That provision raises a question associated with the earlier bearer notes. The corporation has bought and sold those certificates, but says nothing about the transactions in its annual accounts. It is understood that the corporation held, as an investment, $352,000 of its $10 million bearer note issue at March 31, 1979, with the figure being about $54,000 last week.

The liability is shown in the balance sheet and notes, but the "investment" is apparently listed under a sundry item in the assets. In the interests of accountability and good reporting an investment of $552,000 in an organisation's own liabilities should be shown separately in the balance sheet, or in a note giving a breakdown.

The DFC follows that procedure for several items of less than $100,000, and could consider the inclusion of investment "stock", even if it does plan to resell those securities on the open market.

The point is that the net liability under bearer notes at March 31 was less than $10 million, although the position has changed since then.

Analysing annual accounts

by Peter V O'Brien

HALLENSTEIN Bros Ltd, the Dunedin-based retailer and manufacturer performed well last year in a difficult industry.

It is a pity that the annual report provides minimal information on the company's business. The chairman's address to the annual meeting each year gives shareholders additional information, but it would be better to include the detail in the annual report, which is the formal document on the group's year.

Hallenstein manufacturers clothing and footwear, activities which account (according to the report) for 113 of the company's 572 staff members at June 30, 1979.

The proportion engaged in manufacturing is about 20 per cent of the total, so it would be useful to have comments on manufacturing and retailing as divisions of the business, although most of the former is destined to end up in the company's nationwide retail chain of menswear and boyswear shops.

The accounts include a consolidated balance sheet for the first time, so comparative figures are unavailable for 1978. Reference to the parent company balance sheet allows comparisons in regard to trading activities (a new subsidiary now looks after the group's many properties throughout the country).

The movement in these balance sheet items over the year receives no elaboration in the report. The omission is apparent in the change to "trading stock". This item has the same figure in both the consolidated balance sheet and in the parent company, so the change to the latter reflects the former, and the parent's balance sheet is appropriate for comparative purposes.

Trading stock was worth $6.5 million in 1978, and moved to $7,066,789 last year, a change of 27.5 per cent. There is no comment in the directors' report, and nothing in the notes to the accounts to show what amounts relate to materials, work in progress and finished goods.

Price inflation probably accounted for a substantial part of the change, but shareholders are entitled to know how much of the increase arises from inflation, how much from business expansion, and how much to either manufacturing for stock or holding goods at last year's purchase prices for sale this year.

The breakdown is important, because retailing did well in the latter part of 1978 and early in 1979.

The trend today is different. Retail sales figures for July show the downturn in trading which has been forecast for several months.

Demand should increase when wage increases, including backpay, and tax cuts take effect. In the meantime retailers could have a relatively difficult period when compared with conditions earlier in the year.

Stock is a vital component of a retailer's assets, and deserves comment in an annual report.

Stock accounts for 46.5 per cent of total assets in Hallenstein's consolidated accounts, and 50.5 per cent of the parent company's balance sheet (41.2 per cent in 1978).

The treatment of stock changes, and the lack of overall financial comment (apart from the sales and profit trend) are the main criticisms of the report.

The document has several good points. The costs of production are omitted, but Hallenstein continues its traditional practice of disclosing selling, distribution and financial expenses (up 14.5 per cent, compared with a lift of 15.1 per cent in sales revenue), and provides good graphic indicators of historical movements in key financial areas.

Group liquidity appears sound, subject to the comment made earlier in regard to stock figures. The consolidated balance sheet has an excess of about $6.35 million when current liabilities are deducted from current assets. The parent company accounts put current assets at the same figure shown in the consolidated statement, after deduction of a $1.8 million advance to the property subsidiary, so the parent balance sheet is again relevant in assessing liquidity.

In 1978, on that basis, the excess was about $5.5 million, and the difference between that figure and 1979's $6.35 million is accounted for mainly by the increase in stock value, and the removal of $500,000 in short-term investments, with a corresponding $500,000 adjustment to current liabilities.

Earning rate on capital dropped from 48.2 per cent to 45.6 per cent, in spite of the profit increase, but the latter figure takes account of a one for-five bonus issue in October, 1978.

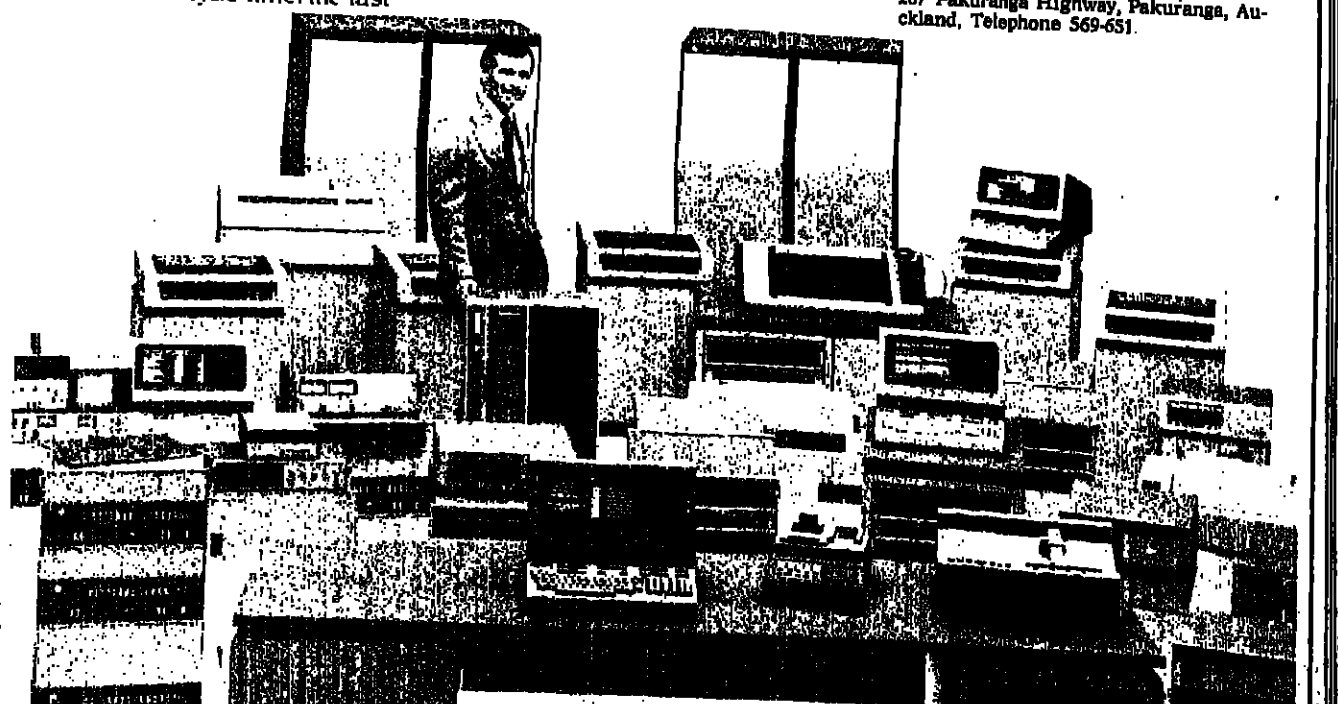
The return on shareholders funds (a better comparison of profitability) was [illegible] cent last year, compared [illegible] 11.74 per cent in the previous year, a modest earning [illegible] but reasonable in [illegible] trading conditions, given [illegible] "overshopped" nature of [illegible] Zealand retailing.

The return is the best for [illegible] years, and is realistic in [illegible] of asset values, because Hallenstein regularly revalues properties to current Government valuation. [illegible] procedure is not the same [illegible] true inflation adjusted accounting, based [illegible] replacement cost, but removes some of the hidden reserves apparent in the accounts of other companies.

The revaluations give Hallenstein $1 shares a [illegible] asset backing of [illegible] compared with last year's share price of $2.30, while proprietorship ratio (shareholders funds to assets) stood at 77.3 per cent on June 30.

That is a strong financial position, and will keep a well-performing company in good shape [illegible] problems occur [illegible] retailing over the next year. The company often gains in difficult times, appearing through a tendency to "trade down" from the fancy, high priced shops.

More information would round out the affairs of a well-run organisation, which could teach several other retailers how to make a dollar in a static economy.



Exchange Rates

As at 20 September 1979 $1NZ is worth:

Australia	.8848	Greece	[illegible]
Britain	.4626	Hong Kong	[illegible]
Canada	1.1550	India	[illegible]
Fiji	.8223	Italy	[illegible]
Japan	219.70	Malaysia	[illegible]
West Germany	1.7744	Netherlands	[illegible]
USA	.9899	New Caledonia & Tahiti	[illegible]
Austria	12.82	Norway	[illegible]
Belgium	28.54	Pakistan	[illegible]
China	1.5127	Papua-New Guinea	On Application
Denmark	5.0990	Portugal	[illegible]
France	4.1430	Singapore	[illegible]
		South Africa	[illegible]

DFC market review makes the odd omission

by Peter V O'Brien

THE Development Finance Corporation has provided the Planning Council with a research document New Zealand's Capital Market — An Overview.

The 44 page report is a descriptive statement of the capital and money markets, with some statistical analysis, and comments on gaps and problems in those markets.

From a descriptive viewpoint, the report is good, subject to the odd omission, while recommendations for new instruments, less specialisation among financial institutions, and changes to market structures and the cost of transferring securities have considerable merit.

But a descriptive and analytical research document must also be judged on what it leaves out, as well as its descriptive elements and recommendations for reform.

The report mentions the need for "variable rate securities, mortgages and leases with interest rates based on say, a six monthly review of short term market rates", and "low-start or graduated mortgages which change the payments stream of the mortgage so that the costs of debt servicing are not accelerated into the early years of the mortgage."

Those are fair comments, but the implied criticism of lack of flexibility in financial instruments seems to overlook the practice of finance companies and other organisation to tailor repayments to the borrower's requirements.

It has been standard procedure in several financial organisations for at least 20 years to vary repayment provisions of term loans away from the standard monthly, or quarterly, instalment which includes the appropriate proportion of interest applicable to the whole deal.

These techniques can involve no repayments of any kind for say, six months or a year; repayments of interest only at differing periods (monthly, or quarterly and so on); and varying repayments of principal and/or interest, depending on the borrowers' cash flow.

The last is relevant to the finance requirements of contractors and other seasonal businesses, and is recognised among lenders.

There may be a case for variable rate securities, and slow start mortgages, but it would be an oversimplification to assume that existing term loans lack wide ranging flexibility. A comment on the variations currently available would add to the report's strength.

At least one conclusion based on statistical information may also be oversimplified.

Referring to the Source and Use of Funds, listed Public Companies, taken from the Reserve Bank's statistics, the report says: "the figures ... imply a trend to raising finance outside the money and capital markets."

That comment relates to two matters shown in the Bank's statistics:

"(i) In 1978 47.9 per cent of funds were raised internally, that is, through retained profits and depreciation. This is a significantly higher percentage than for the preceding years."

"(ii) Similarly, share capital provided 10 per cent of additional funds in 1978; a higher percentage than for the preceding seven years."

The report also notes that a drop in mortgage finance in 1977 is attributable to a decrease in investment in property and plant.

The table above summarises the percentage figures for "mortgages and debentures", "other long-term sources" and "share capital", for the period.

The changes in those figures may not necessarily mean a trend to raising funds outside the capital and money markets.

They can relate to the gearing requirements of public companies, which have to balance shareholders funds and term liabilities.

There are regular swings in that balance (also being seen now as share issues at a premium are increasing).

As long-term funding rises, share capital fund raising tends to fall. When gearing needs adjustment, the movement is the other way, subject to overlaps between the needs of different companies.

The report refers to the continuing question of finance for small business, and comments on four clients of the Small Business Agency adding:

"..it acknowledged that it is difficult to draw a clear conclusion as to whether the firms concerned were frustrated by a characteristic of the financial system which requires reform, or whether the firms themselves were to blame in one respect for their financial difficulties".

and "it appears that at least in the case of the four businessmen interviewed, money is not available to them at any price because the financial institutions are not prepared to accept the level of risk involved". (Report's emphasis).

Well, risk is all-important. There is no "right" to be lent money for a business, and, although the details are not provided, it can be fairly asked whether the DFC or some other quasi-government or government agency would be prepared to provide the necessary funds. There can certainly be a problem in financing untried inventions which require development capital.

YEAR	LONG TERM	SHARE CAPITAL	RETAINED PROFITS AND DEPRECIATION
1973	22.6	5.9	37.5
1974	11.2	4.8	38.2
1975	30.9	4.6	31.7
1976	31.2	4.0	38.5
1977	19.9	7.9	38.5
1978	21.9	10.0	47.9

As one answer the report suggests repayment "holidays", a method of financing which, as shown earlier, is already available.

The call for diversification of operations, changes to "physical factors", introduction of mortgage bonds, equity participation by institutions in small firms, taxation adjustments to encourage equity investment, voluntary holdings of public sector securities rather than official ratios, and more financial information from companies and financial markets (including a credit rating system) are timely, and worth further study.

The Appendix setting out changes to the Australian, United States, Canadian, and United Kingdom financial systems are additional valuable points.

The critical comments made here may seem minor, but they are important when analysing the present structure of the New Zealand finance scene.

Household name stands as investment

by Peter V O'Brien

A REVIEW of the Fisher and Paykel Ltd prospectus is probably an academic exercise, given the widespread interest in the issue of 4,800,000 $1 shares at a price of $2 each.

People who previously have had no association with sharebrokers are seeking a holding in the company, which says a lot for the F and P name in the nation's households.

But a product and busines name is one thing. A share issue is another, which depends finally on the terms of the offer, the company's trading history and prospects as outlined in the prospectus, and the return to those who participate.

Fisher and Paykel stands up well on these criteria. The issue has admittedly been finely drawn, but that is necessary to avoid massive immediate gains to those who receive shares, and to preserve an "orderly market" in the scrip.

There has been some critical comment on one aspect of the issue. Purchasers of shares are required to pay buying brokerage of 2 per cent on the sale value, and also have to pay stamp duty.

The reason is that the issue is the sale of existing shares; a new company is not being floated to the public, and no new shares are created. The contrary argument says the issue price should be adjusted to take account of brokerage, which is effectively the same as the buyer paying the levies.

An issue of this size could have chosen one method or the other, but there is probably an administrative convenience in having the buyer pay brokerage, rather than issuing shares at an odd price, and adjusting the proceeds for payment to the sellers.

Fluctuations in company sales and profitability are a feature of the information disclosed in the prospectus. The whiteware industry has been erratic in recent years, for reasons which are beyond the control of the manufacturers.

The economic ups and downs in New Zealand, including a drop in new dwellings, combined with the on and off nature of the export market in Australia affected the industry's performance.

Fisher and Paykel has not been immune from those influences, but the company survived in better shape than many of its competitors; as shown in the statistical summary in the prospectus.

The downturn in 1976-77 saw total sales fall from $98.5 million (1976) to $96 million, before increasing to $100 million in 1978 and the latest year's $119.6 million. Export sales have increased steadily, but margins may have been affected.

Net profit shows a similar fluctuation. The company earned after tax (export incentives-rebates are an important element in a low tax liability) $3.2 million (in round figures) in 1975, $4.1 million in 1976, dropped to $2.9 million in 1977, $4.1 million for 1978, and $8.9 million in 1979.

The prospectus forecast for the current year is about $7 million. While these movements are part of the regular cycle in the industry, there is more than enough profit to maintain the 16 per cent dividend, and allow sufficient ploughback to keep the business moving on the lines laid down in its private company days.

The shares come to the market at a dividend yield of 8 per cent, and that raises the question of what yield the market may decide is suitable, after the initial flurry of sharebuying from those who received fewer shares than they were prepard to take in the issue.

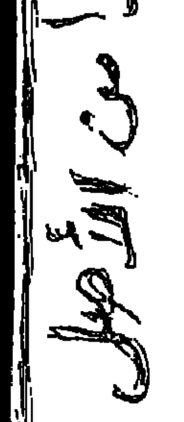
The yield may turn out to be lower than 8 per cent, but I am not going to suggest a figure. There is a considerable difference between a commentator giving an opinion on the share value of a company already listed on the Exchange, and setting a figure for shares which are still to be listed.

In the former case there is regular trading in the scrip, and rarely an unsatisfied demand. When potential profitability and similar matters are pointed out the demand may increase thus raising the price. When new shares come to the market there can be (and probably will be in Fisher and Paykel's case) an unknown, unsatisfied demand.

An arbitrary suggestion of a "stag" price becomes more of a self-fulfilling prophecy than commenting on an apparent market downgrading of potential performance.

The company's accounts in the prospectus are straightforward, with up to date valuations for fixed assets. When preparing the annual report in 1980, it would be useful to include comments on where tax concessions come from, in detail, and other information about movements in balance sheet items.

NOTE: The writer has no connection in any way with Fisher and Paykel, and has *not, nor will be, applying for shares in the present issue.*



ECONOMIC INDICATORS

EXTERNAL TRADE

As recorded in Reserve Bank record of Overseas Exchange Transactions.

Exports	Period	Latest	Previous Year	% Change
Meat	June 79	$124.3m	$107.5m	15.6
	June 79 yr	$1196.4m	$898.8m	33.1
Wool	June 79	$65.5m	$72.7m	-9.9
	June 79 yr	$729.5m	$619.2m	17.8
Dairy Products	June 79	$65.3m	$37.8m	72.8
	June 79 yr	$599.6m	$619.8m	3.2
Forest	June 79	$35.7m	$22.8m	56.6
	June 79 yr	$320.6m	$288.2m	11.2
Manufactured	June 79	$55.1m	$55.4m	
	June 79 yr	$652.8m	$511.6m	27.6
Total Exports	June 79	$411.8m	$360.3m	14.3
	June 79 yr	$4103.5m	$3418.7m	20.0
Imports				
Government	June 79	$10.7m	$7.1m	50.7
	June 79 yr	$193.0m	$172.9m	11.6
Private	June 79	$316.1m	$235.1m	34.5
	June 79 yr	$3203.5m	$2823.6m	13.5
Total Imports	June 79	$326.8m	$242.2m	34.9
	June 79 yr	$3396.5m	$2996.5m	13.3
Balance on Trade Transactions	June 79	+$85.0m	+$118.1m	-28.0
	June 79 yr	+$707.1m	+$422.2m	67.5
Balance on Invisibles	June 79	-$177.6m	-$141.7m	25.3
	June 79 yr	-$1160.4m	-$911.1m	27.4
Official Overseas Reserves	June 79	$932.2m	$934.7m	0.2

FREIGHT MOVEMENTS

Shipping Cargo Carried — 000 tonnes	May 1979	3242	2762	17.0
	May 1979 yr	33338	34948	-5.0
Rail Freight Carried — 000 tonnes	April 28, 79	930	870	7.0
	April 79 yr	11726	12335	5.0

FINANCIAL

Reserve Bank Advances	Mar 28, 79	$587.8m	$1079.3m	-46.0
Trading Bank Advances	July 11, 79	$3374.7m	$2644.0m	28.0
N.Z. Overseas Transaction — Balance on all Transactions	May 1979	+$197.4m	-$41.3	
Restricted Survey of Hire Purchase — Value of goods sold	Mar 79 qtr	$124.0m	$121.4m	2.0
	Mar 79 yr	$533.3m	$465.8m	14.0
Mortgage Interest Rates — Average Yield	April 79	11.03	10.92	1.0
* Govt Short-Term Securities — average yield	June 79	10.5	8.81	19.0
* Govt Long Term Securities Average Yield	June 1979	12.64	9.99	27.0
Land Transfers (value of land sold)	April 79	$290.9m	$179.3m	62.0
	April 79 yr	$3654.1m	$2544.8m	44.0
Mortgages Registered (value)	April 79	$218.3m	$133.1m	64.0
	April 79 yr	$2272.4m	$1831.9m	24.0
Mortgages Discharged (value)	May 78	$87.5m	$69.8m	10.2
	May 78 yr	$998.8m	$906.6m	12.8
Bankruptcies (Number)	June 79	48	56	-17.0
	June 79 yr	494	441	12.0
Sales Tax Collected (value)	Apr/May 79	$47.5m	$38.3m	24.0
	Apr/May 79 yr	$345.8	$398.3m	-13.0
Totalisator Turnover (value)	June 79	$31.5m	$24.0m	31.0
	June 79 yr	$488.4m	$399.6m	22.0

LABOUR FORCE

Industrial Stoppages (Working Days Lost)	June 79 qtr	58602	208,773	-72.0
	June 79 yr	195860	452,884	-57.0
Nominal Weekly Wage Rate Index	June 79 qtr	1177	1043	13.0
Effective Weekly Wage Rate Index (Base 1977-1000)	June 79 qtr	1000	996	
Vacancies at Month End	June 79	1755	1469	19.0
Unemployment (At Month End)	June 1979	25363	24035	6.0
People On Special Work Scheme (At Month End)	June 79	24953	18281	36.0
Migration	June 1979 qtr	-16,416	-13,225	24.0
Total New Zealand Population	March 79 qtr	3,144,600	3,145,900	
Births	March 79 qtr	51522	53246	3.0
Deaths	March 79 qtr	24804	25934	4.0

PRODUCTION

Electricity Generation — Million KWh	June 79	1956	2078	-6.0
	June 79 yr	21956	21405	3.0
Coal Productions — 000 tonnes	May 79	177.0	188.8	-6.3
	May 79 yr	2055.6	2113.2	-2.7
Gas Productions — million megajoules	May 79	3143.3	5169.7	-39.0
	May 79 yr	52537.4	61277.0	-14.0
Motor Spirit — Petroleum Production — million litres	June 79	156717	158769	1.0
	June 79 yr	1850367	1585729	17.0
Motor Vehicle Assembly (Passenger) No. of vehicles	June 79	5775	4533	27.0
	June 79 yr	56126	54477	3.0
Building Work Put In Place — value	Dec 78 qtr	$302.2m	$302.4m	
	Dec 78 yr	$1140.7m	$1308.9m	-13.0
Television Sets — units	Mar 79 qtr	22928	15796	45.0
	Mar 79 yr	97118	104954	-7.0
All Plastic Products	Mar 79 qtr	$61.2m	$53.2m	15.0
	Mar 79 yr	$263.0m	$248.3m	5.9

INTERNAL TRADE

Consumer Price Index (base 1977-1000)	June 79 qtr	1177	1047	11.0
Retail Trade — Total Turnover — current prices	May 79	$571.9m	$484.2m	18.0
	May 79 yr	$5993.2m	$5239.6m	14.0
— total turnover — 1974 prices	Mar 79 qtr	$833.09m	$802.05m	4.0
	Mar 79 yr	$3294.61m	$3231.53m	2.0
— per head — current prices	Mar 79 qtr	$453.01m	$391.6m	16.0
	Mar 79 yr	$1860.0m	$1653.2m	13.0
Per head — 1974 prices	Mar 79 qtr	$264.64m	$235.3m	12.0
	Mar 79 yr	$1049.34m	$1038.9m	1.0
Wholesale Trade — Total Turnover — current prices	Mar 79 qtr	$1518.2m	$1279.3m	19.0
	Mar 79 yr	$6095.0m	$5393.9m	13.0
Stock — Manufacturers	Mar 79 qtr	$2307.4m	$2170.3m	6.3
— Wholesalers	Mar 79 qtr	$972.4m	$921.0m	5.6
— Retailers	Mar 79 qtr	$960.0m	$879.4m	6.0

Economic News

Retail Sales

The Department of Statistics figures for Retail Trade in July 1979, released on 16th Sept., show a 2.0% decrease when seasonally corrected and compared with the figures for June. However when compared with the July 1978 figures there is an increase of 11.8%. The table below shows the value of sales by various store type groups.

Store-type Group	July 1978 $(m)	June 1979 $(m)	July 1979 $(m)	Change July 1979 on July 1978 Percent
Butcher, poulterer, etc.	15.35	19.45	19.76	[illegible]
Grocer and Dairy	103.84	118.78	124.74	[illegible]
Other food	27.85	35.51	36.14	[illegible]
Footwear	7.91	9.54	9.53	[illegible]
Apparel	35.73	40.53	41.08	+15.0
Furniture and soft furnishings	27.14	31.93	30.85	+13.7
Household appliances, electrical goods, radios, T.V., etc.	31.05	35.37	33.07	+ 6.5
Hardware, builders' hardware, paints, etc.	27.70	35.37	34.59	+24.9
Chemist	17.37	19.35	19.66	+13.2
General, department and variety	52.27	59.39	57.48	+10.9
Other	95.27	104.50	106.35	+11.6
All store types	441.48	509.72	513.26	+15.1
All store types seasonally corrected	476.8	544.0	533.0	+11

Sharemarket News

Bonus Issues of Ordinary Shares Pending

Company	Ratio	Meeting	BKS Close Inclusive	Ex Date
Alcoop	1.10	3/10	9 Oct	4/10
Aurora	1:5	NFD	—	—
Boral	1:5A	7/11	17 Nov	12/11
*Elichten	1:5	30/10	—	—
Gcourt	1:9A	—	16 Oct	11/10
Inbroad	1:4	21/11	27 Nov	22/11
*Michalis	1:5A	—	13 Oct	8/10
Mim	1:4A	21/8	12 Oct	5/10
Neill	1:10	27/9	3 Oct	28/9
Prop Sec	1:10	/11	26 Nov	21/11
Rothmans	1:10A	2/11	8 Nov	5/11

A = Shares arising from bonus issue participate in dividend, see schedule.

Current Debenture Issues

Company	Opens	Closes
A.A. Finance	8 Aug 1979	8 Feb 1980
Allied Finance	30 Mar 1979	30 Sep 1979
Auric Corporation	1 Jun 1979	1 Dec 1979
Aust Guarantee	22 May 1979	22 Nov 1979
BNZ Finance	18 Jun 1979	18 Dec 1979
Bowring Burgess	28 Jun 1979	28 Dec 1979
Broadlands	15 Mar 1979	15 Sep 1979
Cedix Holdings	27 Jul 1979	27 Jan 1980
Challenge	11apr 1979	10 Oct 1979
Credit & Investments	1 May 1979	1 Nov 1979
Crown Finance	1 May 1979	1 Nov 1979
Finance & Discounts	18 May 1979	18 Nov 1979
F & P Dealer Rentals	15 Jun 1979	7 Dec 1979
General Finance	21 Aug 1979	21 Feb 1979
General Motors	30 Apr 1979	30 Oct 1979
Foodstuffs (Otago Southland)	11 May 1979	11 Nov 1979
Lombard NZ	14 Jun 1979	14 Dec 1979
Marac Holdings	5 Sep 1979	5 Mar 1980
NZI Finance	1 Aug 1979	1 Feb 1980
Transvision	3 Sep 1979	3 Mar 1980
Transvision Rentals	14 Jun 1979	14 Dec 1979
UDC (Deb Stock & Unsecured notes)	5 Jun 1979	4 Dec 1979

Changed Rates
New Prospectuses: Transvision
Issues Closed: Lake Ohau
Skifield, Tappenden Finance

Share Price Index Statistics
April, 1979

NZUC	Year to Date	High	343.37 (Apr)
		Low	317.10 (Feb)
	Month	High	341.61
		Low	328.89
Reserve Bank	Year to Date	High	1463 (Apr & July)
		Low	1344 (Feb)
	Month	High	1463
		Low	1399

MONTHLY TURNOVER

1978	
Aug	8,868,700
Sept	7,700,300
Oct	8,761,556
Nov	7,283,050
Dec	6,060,250
1979	
Jan	9,932,365
Feb	12,433,981
March	14,130,488
Apr	13,160,165
May	15,607,117
June	10,842,545
July	11,438,060

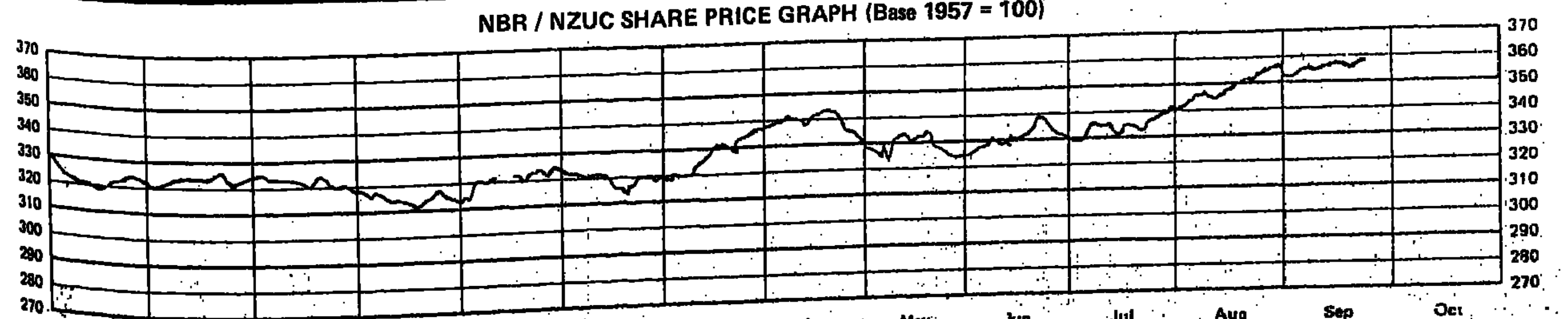
NBR SHAREMARKET SURVEY

WEEK ENDING SEPTEMBER 20, 1979

1979 High	Low	Company	Last Sale	Week's High	Week's Low	Dividend %	Reported Turnover	Dividend Yield	P-E Ratio
[illegible]	[illegible]	AIRWORK,50C	115	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4,5
[illegible]	[illegible]	AJAX G.I.	232	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4,6
[illegible]	[illegible]	A.J.WHITE	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4,4
[illegible]	[illegible]	ALCAN,50C	145	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4,4
[illegible]	[illegible]	A.M.I.	243	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5,7
[illegible]	[illegible]	ALLIANCE,50C	66	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3,4
[illegible]	[illegible]	ALLIED FARMERS	260	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5,7
[illegible]	[illegible]	ALLIED PRESS	200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9,5
[illegible]	[illegible]	ALLOY STEEL	225	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	122,2
[illegible]	[illegible]	A.M.BISLEY,50C	126	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5,9
[illegible]	[illegible]	AMPOL PET.,50C	127	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9,0
[illegible]	[illegible]	A.BEAVER	110	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5,3
[illegible]	[illegible]	A.SPARKHALL	245	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3,6
[illegible]	[illegible]	ANZIERS	250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3,0
[illegible]	[illegible]	A.BARNETT	135	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4,0
[illegible]	[illegible]	A.ELLIS	305	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4,1
330	287	ANTHONY YATES	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6,7
315	270	ASHBY BERGH	275	275	275	22,5	800	8,2	4,7
215	175	A.B.CABLES	195	195	195	20,0	200	10,3	5,0
60	49	ATLAS, 50C	55	57	55	6,5	18900	5,9	3,1
460	310	AUCK.GAS	430	430	430	13,0	1100	3,0	11,2
225	175	AURORA,50C	190	192	190	14,0	4900	3,7	9,0
		A.C.I.	198	...	...	12,5	0	6,3	6,0
92	70	AUTOCRAT HOLDS	88	88	88	8,8	6100	10,0	9,2
79	50	BAILLIE,50C	63	63	63	11,0	960	8,7	7,1
87	72	BALLINS,50C	85	87	85	14,0	80240	8,2	5,9
450	348	BANK NSW	395	400	390	32,0	4000	8,1	5,7
82	53	BEACH DPTH.,50C	70	...	...	...	0	...	...
84	63	BING HARRIS, 50C	83	83	83	12,5	13400	7,5	19,3
185	156	B.N.Z. FINANCE	175	175	175	14,5	2200	8,3	8,7
94	62	BRAMBLES BURNETT,50C	52	52	52	12,0	25600	11,5	3,6
54	50	BRIDGEVALE,50C	55	55	55	6,0	1600	5,5	5,7
288	201	BRIERLEY, 50C	268	268	263	24,0	8600	4,5	6,2
77	65	BOS, 50C	74	76	75	16,0	6500	10,5	7,1
75	52	BROADLANDS,50C	66	75	65	14,0	545652	10,6	7,8
1449	1050	B.H.P.,$2	1265	1265	1220	16,3	2100	2,6	34,3
95	65	BROTHER, 50C	85	...	...	20,0	0	11,8	4,7
80	60	BUNTING,50C	65	65	65	11,0	53100	8,5	9,0
150	150	BURKES CAT.,50C	150	150	150	12,5	1000	4,2	9,9
150	120	C.P.D.	148	148	147	16,0	9000	10,8	4,0
205	170	C.F.C.A.	205	205	200	15,0	15900	7,3	6,8
180	130	C.F.M.	170	172	170	14,0	8000	8,2	4,0
220	145	CANT.FLOUR	220	...	...	15,0	0	6,8	9,1
255	160	CANT.TIMBER	250	255	238	10,0	21300	4,0	6,8
355	160	CAPITAL RADIO,50C	355	355	350	...	11100	...	161,6
67	53	CAPITAL LIFE,50C	67	67	67	10,0	200	7,5	12,0
310	230	CARBONIC ICL	240	240	240	14,0	2500	5,8	4,7
255	208	CARTER HOLT	254	255	252	16,0	21900	6,3	6,6
215	155	CERAMCO	190	191	188	16,0	14100	8,4	5,6
225	180	CHALLENGE	222	223	218	12,5	22200	5,6	6,0
105	85	CHEMERY	95	95	95	11,0	2700	11,6	6,0
175	115	CHCH.GAS	150	150	150	10,0	3200	6,7	6,1
260	220	CHCH PRESS	240	...	...	14,0	0	5,8	7,9
35	25	CITY REALTIES,10C	28	...	...	14,0	0	5,0	16,5
150	80	CLASSIC FASHIONS,50C	140	...	...	15,0	0	5,4	5,5
95	82	CLYDE ENG.	85	88	83	16,0	61900	18,8	6,3
44	38	COLLINGWOOD,50C	45	48	40	5,0	13800	5,6	5,4
220	140	COL.MOTOR	220	220	220	13,0	700	5,9	5,0
154	122	CULVER WATSON	140	142	138	6,5	1800	4,6	12,8
425	260	COMALCO,50C	400	400	400	22,0	200	2,8	20,0
120	102	COMMAND	120	120	120	14,0	13700	5,8	5,4
		CON.BANK AUST	320	...	...	16,0	0	5,0	6,3
264	140	CON.METAL,50C	147	148	147	17,0	4600	5,8	5,5
7	3	CON.SILVER,50C	3	4	3	...	4500	...	...
250	160	COOKS WIFE	237	238	237	6,0	400	2,5	7,1
455	90	CORY-WRIGHT	90	90	90	11,0	3600	12,2	3,5
265	200	CROWN CONSOLIDATED	215	218	215	15,0	9100	7,0	6,2
515	355	C.S.R	530	530	530	15,0	5600	2,8	11,1
117	80	CYCLONE,50C	112	...	...	12,0	0	5,4	6,2
255	155	DALGETY(N.Z)	215	218	215	12,5	14300	5,8	9,9
55	41	DALHOFF & KING,50C	50	50	50	12,0	5100	12,0	4,8
295	240	DEANES	255	...	...	10,0	0	3,9	4,9
155	130	D.I.C	147	147	147	12,5	1300	8,5	12,0
185	145	DINGWALL & PAULGER	177	178	177	...	800	...	...
155	90	D.MCL WALLACE,50C	143	148	143	11,0	10800	3,8	7,4
95	65	D.I.B.A	68	68	68	6,5	2900	9,6	24,7
104	80	DOM.BREW.,50C	91	94	91	17,0	41800	9,3	8,3
285	225	DONAGHYS	265	265	260	15,0	7600	5,7	6,2
255	255	DONALD REID OTAGO FARMER	265	...	...	16,0	0	6,5	6,9
99	82	D.R.G.,50C	95	95	95	13,5	2100	7,1	5,9
255	200	DUNLOP (NZ)	233	233	230	25,0	200	10,7	4,4
113	102	EBBETT	110	110	110	12,0	700	10,9	5,5
95	76	EDDS,50C	90	...	...	12,5	0	6,9	3,4
162	123	E L'STEIN,50C	162	162	155	18,0	6300	5,6	3,5
95	71	EMPEROR MINES,10C	96	...	...	...	0	...	2,4
171	140	ENDEAVOUR	140	140	140	18,0	23300	6,4	4,9
		EQUIT.BLDG	107	...	...	12,5	0	11,7	6,8
215	170	E.ADAMS	185	185	185	12,0	200	6,5	5,4
114	66	F.C.C.,50C	95	97	95	16,0	37900	8,4	4,2
73	62	F.WAIMAK,50C	65	65	65	12,5	2000	9,6	4,4
125	97	FELTEX,50C	118	119	116	16,5	86500	7,0	8,7
135	110	FIRESTONE NZ	120	120	120	...	2400	...	6,6
255	192	FLETCHER	248	252	248	20,0	90700	8,1	4,9
160	120	FOUNTAIN CORP	155	155	155	15,5	2300	10,0	3,5
124	93	FREIGHTWAYS, 50C	117	117	115	16,0	11700	6,8	5,8
130	125	GEAR	126	126	126	5,0	26628	4,0	12,2
175	126	GEN.FINANCE	175	175	175	13,0	208950	7,4	7,5
135	95	G.COURT	105	105	105	11,0	4600	10,5	6,1
		GIANT	78	...	...	17,0	0	21,8	6,8
275	207	G.J.COLES,50C	207	...	...	24,0	0	5,8	9,0
58	40	GOLDEN BAY,50C	54	54	53	12,0	24300	11,1	7,0
233	185	GOODMAN GROUP	215	215	210	17,0	3900	[illegible]	3,8
41	29	GROSVENOR PROPS, 25C	42	42	42	3,5	500	2,1	17,5
243	195	HALLENSTEIN	225	235	225	16,0	3000	7,1	4,7
167	160	HARLEY	165	...	...	12,0	0	7,3	7,2
225	100	HAURAKI ENTERPRISES	200	200	195	60,0	3500	,0	90,9
76	62	HAWKINS,50C	87	87	85	12,0	7100	6,9	5,5
132	75	HAYWRIGHTS	95	102	90	5,0	20800	5,3	39,6
239	146	H.B. FARMERS	230	...	...	...	0	...	6,4
355	265	HEALING	350	350	350	17,5	17400	5,0	5,3
213	142	H.POLLARD	212	212	212	13,5	2700	6,4	13,2
162	135	HENRY BERRY	152	152	152	19,0	3400	12,5	5,4
265	250	HODDER & TOLLEY	260	...	...	18,0	0	6,9	4,7
		HOOKER,50C	73	...	...	15,0	0	10,3	6,5
155	154	I.C.I.(AUST)	155	...	...	16,0	0	10,3	4,0
164	106	I.C.I.(NZ)	166	166	165	14,0	3200	8,4	5,3
245	165	IND BROADCASTING	240	240	230	16,0	500	6,7	11,0
155	123	INDEPENDENT NEWS	156	156	155	14,0	20900	9,0	8,5
165	145	IND.CHEM,50C	160	160	160	16,5	2200	5,2	6,2
254	156	J.W.DOW,50C	150	150	145	17,5	3600	5,8	5,7
[illegible]	65	JAMES AVIATION	160	160	160	12,5	1000	7,8	3,9
255	210	JAMES SMITH 50C	100	100	98	16,0	1000	8,0	5,5
264	138	J.E. WATSON	255	...	...	16,0	0	6,3	5,0
175	130	J.BURNS	178	178	178	50,0	500	28,1	89,0
175	150	JOHN EDMOND	175	175	172	15,0	1100	8,6	3,6

1979 High	Low	Company	Last Sale	Week's High	Week's Low	Dividend %	Reported Turnover	Dividend Yield	P-E Ratio
72	55	J.WEBSTER 50C	65	65	65	16,0	2400	12,3	5,7
140	115	J.NATHAN	130	130	130	12,0	100	9,2	4,6
190	133	J.RATTRAY	168	169	168	12,0	700	7,1	4,2
210	210	KEARNS-OATIKA	210	...	...	3,0	0	1,4	25,3
89	67	L.W.RUDKIN,50C	83	83	80	14,0	23800	8,4	5,6
60	45	LANES,50C	50	50	50	11,3	300	11,3	5,8
212	180	L.D.NATHAN	210	210	195	14,0	14500	6,7	4,9
100	75	LEYLAND,50C	100	100	100	15,0	2000	7,5	11,8
81	71	LION	78	78	77	17,5	99400	11,2	8,0
35	15	L.RM.OIL,50C	26	27	26	...	8700	...	65,0
310	255	LUSTEROID	310	...	...	20,0	0	6,5	3,8
145	112	MAINZEAL CORP,50C	138	138	138	16,0	76000	5,8	5,4
220	165	MAIR,50C	215	215	215	25,0	5800	5,8	5,4
120	100	MANAWATU,50C	100	...	...	16,0	0	8,0	5,3
190	130	MANTHEL	190	190	190	16,0	200	8,4	3,0
190	170	MARAC	175	178	175	16,0	1100	9,1	6,2
140	112	MCALPINE,50C	130	...	...	16,0	0	6,2	2,9
178	165	MCKECHNIE	178	178	178	12,0	1600	6,7	5,4
120	61	MCKENZIES,50C	105	105	100	13,0	1400	6,2	6,3
165	125	MIDLAND	165	165	165	12,0	500	7,3	7,1
25	12	MIN.RESOURCES,20C	18	18	18	...	505	...	15,0
90	55	M.O'BRIEN,50C	90	90	90	10,0	2000	5,6	7,2
140	113	MONTANA,50C	130	134	130	7,5	4500	2,9	7,5
380	130	M-P,I.M.	160	160	160	15,0	300	9,4	3,9
140	120	MOSGIEL	125	125	125	13,0	5400	10,4	5,1
80	50	MOTOR HOLDS.,50C	77	77	73	15,0	6300	9,7	3,0
90	73	MOTOR TRAD.,50C	81	81	81	14,0	19200	8,6	54,0
130	100	MSI CORPN.,50C	130	130	126	17,0	32700	6,5	4,9
265	150	MT.COOK	185	190	185	11,0	16900	5,9	6,1
481	260	N.I.M.HOLDS.,50C	470	...	...	15,0	0	1,6	54,3
200	178	NAT.INSCE	196	197	195	27,0	31900	13,8	4,6
135	30	NAYLOR	135	...	...	13,0	0	9,6	2,4
535	535	NCF KAIAPOI	535	...	...	4,0	0	,7	19,2
57	38	NEIL HOLDINGS, 50C	54	55	52	12,0	16900	11,1	3,6
114	98	N.Z.CEMENT	106	106	105	12,5	12600	11,8	8,8
112	81	N.Z.F.C.,50C	112	112	112	14,0	4900	6,3	7,5
195	162	N.Z.FARM FERT.	180	188	180	13,0	5040	7,2	5,9
272	200	N.Z.F.P.	258	260	256	15,5	87700	6,0	8,0
325	238	N.Z.I.G.	325	325	325	17,0	1700	5,2	7,9
253	223	N.Z.I.	225	225	225	20,0	29900	8,9	4,0
30	14	N.Z.LAND,50C	18	18	18	...	600	...	90,0
108	70	N.Z.LEATHERS	90	90	90	...	9400	...	5,2
111	70	N.Z.MOTOR BODIES	95	95	95	10,0	1200	10,5	4,7
148	108	N.Z.M.C	113	113	113	13,0	13900	11,5	3,7
195	165	N.Z.NEWS	195	195	192	17,0	4900	8,7	4,8
220	142	N.Z.PASTORAL	215	...	...	10,0	0	4,7	14,6
60	21	N.Z.PETROL,50C	40	...	...	...	0	...	57,1
93	76	N.Z.REFINING	89	89	88	7,5	23700	8,4	12,4
190	162	N.Z.STEEL	182	182	167	12,0	891300	6,6	5,2
395	325	N.Z.UNITED	395	395	395	25,0	100	6,3	6,7
120	100	NIVEN INDUSTRIES	110	110	108	6,0	8100	5,5	11,3
90	67	NUHAKA	90	90	90	...	1000	...	...
68	50	ORLINS,50C	64	64	64	13,0	34700	10,2	7,4
88	63	OPTICAL HLDGS, 50C	80	...	...	12,5	0	7,8	7,2
150	120	PAYKEL HOLDINGS	120	...	...	...	0	...	...
108	100	P.D.L.HOLDS,50C	100	100	100	13,0	1500	6,5	7,4
90	85	PERM.INVEST	86	...	...	11,5	0	12,1	4,4
112	104	PHILLIPS & IMPEY,50C	104	105	104	17,5	2300	[illegible]	[illegible]
95	73	PRESTIGE,50C	84	84	80	13,0	[illegible]	[illegible]	[illegible]
165	147	PRINT & PACKAGING	156	158	155	13,5	11100	8,7	[illegible]
400	320	PROGRESSIVE	375	400	350	11,5	[illegible]	[illegible]	[illegible]
195	132	PROP.SECURITIES,50C	190	190	190	[illegible]	9600	[illegible]	[illegible]
105	65	PROP.BUILDING	65	...	...	15,0	0	[illegible]	[illegible]
100	75	PYE ELECT.,50C	100	100	95	13,0	92000	[illegible]	11,1
130	120	QUILL MORRIS,50C	120	...	...	17,0	0	7,1	[illegible]
345	160	RADIO AVON,50C	200	...	...	50,0	0	12,5	[illegible]
350	280	RADIO OTAGO	300	...	...	20,0	0	[illegible]	[illegible]
100	90	REGINA	[illegible]	...	...	11,0	0	12,2	[illegible]
225	163	R & W HELLABY	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
85	71	[illegible],50C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6	3	REPUBLIC PET.,50C	[illegible]	...	...	...	0	...	...
290	220	REVERTEX	290	290	280	14,0	100	4,8	5,9
260	228	REX CONSOL.	245	245	230	15,0	1700	6,1	7,4
215	175	RHEEM,50C	215	215	215	13,0	9500	3,0	25,3
242	242	RICKSTAN,50C	242	...	...	...	0	...	29,2
118	97	ROTHMANS,50C	117	118	117	15,0	21300	6,4	5,6
300	260	R.W.SAUNDERS	300	...	...	20,0	0	6,7	2,5
278	225	SALMOND	265	...	...	16,0	0	6,0	5,2
340	210	SANFORD	340	340	340	16,0	3600	4,7	6,0
135	110	SCHOFIELD	130	...	...	12,5	0	9,6	4,7
62	52	SCOTT,50C	62	62	62	12,5	10300	10,1	6,4
200	200	SELBY	200	...	...	16,0	0	8,0	5,6
265	225	SKELLERUP,50C	245	250	245	20,0	2500	4,1	4,2
145	110	SMITH, BROWN,50C	142	142	142	16,5	200	5,8	5,5
195	164	SMITH BIOLAB,50C	177	177	177	14,0	600	4,5	5,2
147	130	SMITHS C.M.	140	140	140	12,0	23200	8,6	4,0
315	255	STH. BRITISH	302	302	298	23,5	39700	7,8	5,2
130	109	STHN. CROSS HOTEL	130	...	...	10,0	0	7,7	8,7
11	7	STHN CROSS MINS.,20C	10	...	...	...	0	...	...
215	185	S.F.M.	210	210	210	15,0	13200	7,1	5,7
90	63	SPEDDING, 50C	80	80	80	20,0	44100	12,5	8,2
110	95	STEEL & TUBE, 50C	105	105	105	18,0	3600	8,6	5,1
158	97	SUCKLING	150	...	...	14,0	0	9,3	5,7
220	144	TASMAN, 50C	220	220	215	12,0	9000	2,7	110,0
145	120	TAYLORS	135	...	...	13,0	0	9,6	7,2
245	145	TELLTHERM	185	185	185	17,0	2000	9,2	5,5
86	75	TNL GROUP,50C	80	82	80	14,0	56500	8,8	3,2
435	345	T J EDMONDS	380	390	380	20,0	19000	5,5	5,8
100	65	TOLLEY	73	73	73	7,0	7100	9,6	10,0
90	60	TOUR FIJI	65	65	65	...	800	...	...
45	35	TRANS ASHBURTON, 50C	40	...	...	10,0	0	12,5	3,7
150	120	TRANS HOLDS	150	...	...	12,0	0	8,0	6,9
115	100	TRANS (NTH, CANT.)	103	103	103	14,0	300	13,6	3,3
230	135	TRANSVISION	230	238	215	11,0	7100	4,8	14,0
158	135	U.D.C.	155	155	150	12,5	34200	8,1	4,9
100	80	U.E.B.,50C	98	99	98	17,0	100900	8,7	6,2
95	93	UNITED BLDG	93	...	...	15,0	0	16,1	4,8
155	120	UNITED PUBLISHING,50C	155	155	155	18,0	300	5,8	4,7
88	52	VACATION,50C	74	75	74	11,0	2100	7,4	5,7
150	134	WAITAKI-NZR	149	150	149	13,5	16800	9,1	4,2
300	255	WALKERHALL	300	...	...	14,0	0	4,7	6,4
101	88	WATTIE,50C	98	99	97	15,0	77100	7,7	4,4
455	130	WELGAS	450	455	450	12,0	1200	2,7	9,4
165	90	WILKINS & DAVIES	165	165	160	15,0	7600	9,1	12,4
175	165	W.JEFFERY	165	...	...	12,5	0	7,6	4,8
268	225	WILSON & HORTON	228	228	228	18,0	5300	7,9	4,5
135	100	WILSON DISTILLERS	130	130	130	...	7700	...	50,0
380	200	WILSON NEILL	290	290	290	16,0	2300	5,5	4,8
93	75	WINSTONE,50C	77	77	76	15,0	69400	9,7	4,7
191	115	WRIGHTS (AUST),50C	191	...	...	21,0	0	5,5	6,1
380	200	WORMALD	370	...	...	15,0	0	4,1	5,0
205	170	W.R.CARPENTER,50C	170	...	...	23,0	0	6,8	212,5
125	105	W.SUTHERLAND	125	...	...	...	0	...	6,7
220	220	ZEALANDIA	220	...	...	10,0	0	9,1	15,4

NBR / NZUC SHARE PRICE GRAPH (Base 1957 = 100)



Rationalisation scope: insurance giants merge

by John Sloan

THE proposed merger between the National Mutual Life and the Commercial Union Assurance has generated considerable interest within the insurance industry. NBR approached National Mutual's manager for New Zealand, Gil Hoskins, and posed a number of questions.

NBR: What are Commercial Union United Kingdom's reasons for the sale of their shares to NML?

HOSKINS: THE "soft" insurance market in Australia and New Zealand has been of great concern to CU United Kingdom for some time. In order to strengthen the company's position it was felt desirable to associate ourselves with a major life company whose future is linked to these countries. This will give us the ability to develop further our strong position in this most important market.

THE first impression is the merger favours NML because they obtain the entire CU life portfolio plus a 50 per cent share of CU's fire and general business. Is this impression correct?

IT seems a little unimportant as to whether the merger favours CU or National Mutual. The point really is that the merger is part of the policy planning of both CU and National Mutual. National Mutual has for some time been keen to associate itself with a major company in the general insurance market. The merger is therefore seen as being beneficial to the aims and objectives of both CU and NM.

AS both NML and CU are already large organisations what further economies can be achieved?

IT is difficult at this stage to see specific areas where economies can be achieved. This is because many of the systems and procedures of both companies are quite different. In due course, as systems and procedures come together, it may be possible to achieve some economies. It is impossible to be more specific at this time.

HOW will staff problems be treated especially if the merger creates two distinct entities: that is, NML-Life only, CU-Fire and general only? How will staff be deployed? Will there be any redundancies or demotions?

A STATEMENT has been issued to staff explaining some of the proposals which have already been formulated in relation to their terms and conditions of employment. Both companies regard the well-being of their staff as a major priority in the combination of their operations, and expect to successfully place all the staff. There will be no redundancies and salary conditions will be preserved. While at present some conditions of employment differ within each company, there will probably be some gradual alignment of terms and conditions over time. How this is done is yet to be decided.

HOW will CU connections be developed, especially Dalgety's and ANZ Bank?

THIS is an internal matter which we do not feel we should comment on at this time.

WILL new life policies-contracts be introduced?

THE range of products now available is subject to dynamic change. New life policies and contracts will, of course, be introduced from time to time as conditions change or needs are established.

WILL NML agents become a new force in the fire and general field now they have a bigger company and access to worldwide facilities?

WE would expect that the CU's fire and general business will be strongly supported by National Mutual agents. CU has very good service facilities throughout New Zealand and has offices in all major centres and many minor centres. With these facilities National Mutual agents would, we expect, provide an increased level of support to CU. CU will, of course, retain its existing world-wide links with the network of Commercial Union companies and will maintain its present access to world wide facilities.

GIL HOSKINS . . . eventual economies.

CU Fire and General have been losing money on their underwriting. Does NML expect to reverse the trend? How does NML view the current soft market?

WE are confident that the bigger CU fire and general operation will be in a better position to produce positive underwriting results in the future than it has been in the past. The current soft market is viewed with concern by all general insurance companies, including Commercial Union, and the trend must be reversed if the level of service now provided to clients throughout New Zealand is to be maintained and improved. We expect a gradual movement to underwriting profitably over the next few years but must emphasise that any projection in this area is, at best, highly uncertain.

WHAT will be the impact of the merger on the local insurance industry? Will competitors follow suit?

WE doubt whether the merger will have a great impact on the local insurance scene. It is perhaps significant that the announcements made have invoked little discussion in the New Zealand financial [...] We cannot speak for [...] petitors in the market, but we would feel the [...] scope for rationalising insurance operations [...] Western countries [...] New Zealand.

WHAT problems will a[...] with computers; merg[...] two life funds; d[...] systems; retraining [...] agents, some of wh[...] facing their second ta[...] Will investment phil[...] change? What comm[...] derwriting approache[...]

AT the moment it is [...] early to tackle this q[...] We are at present [...] through a process of [...] tifying areas which we [...] change and coming to [...] understanding of [...] magnitude of the task [...] us. We would expect [...] combining of the [...] businesses to take place [...] quite a period of time [...] done with as little dis[...] possible. We believe [...] much common g[...] tween the CU approach [...] life insurance busi[...] National Mutual's. We [...] see any clashes of ph[...] nor do we see any fur[...] changes in inv[...] strategy occurring.

WHAT are the bene[...] policyholders, employe[...] insurance industry [...] country?

WE believe we will be [...] provide better repre[...] throughout the country [...] the life side through N[...] the general side thro[...] Policyholders should [...] from this increased [...] provide contact p[...] them. Both CU and [...] strong companies [...] in the New Zealand [...] and the merged opera[...] of course, be even [...] Policyholders will bene[...] the added security wh[...] merger brings. We [...] expect increased oppor[...] for promotion to eve[...] emerge in the larger li[...] general companies a[...] this will take more [...] Employees should b[...] from the broader fi[...] base of the operations

Life offices seek stake in energy development

by John Sloan

LIFE offices are seeking opportunities to aid the development of industry and commerce, detecting continued potential in the following areas of investment: Property leasing facilities to companies to release funds for working capital otherwise locked into property ownership; ordinary share issues; specified preference share issues; convertible notes; debenture issues; commercial bills; commercial and industrial mortgages.

At a recent seminar life offices displayed considerable interest in investing in New Zealand's energy development. If the energy crisis can be alleviated by developing the nation's resources, the life offices want part of the action.

But potential oil explorers should not regard life offices as entrepreneurs with an unlimited supply of funds. One manager said: "We won't be pouring money down dry holes."

In spite of such inherent conservatism, the life offices are genuinely interested in developing the nation's natural resources.

They point out that the[...] were substantial [...] vestors in New Zealand [...] and forfeited dividends [...] years. They are also [...] long-term investors i[...] Tasman Pulp and Pap[...] and New Zealand F[...] Products Ltd.

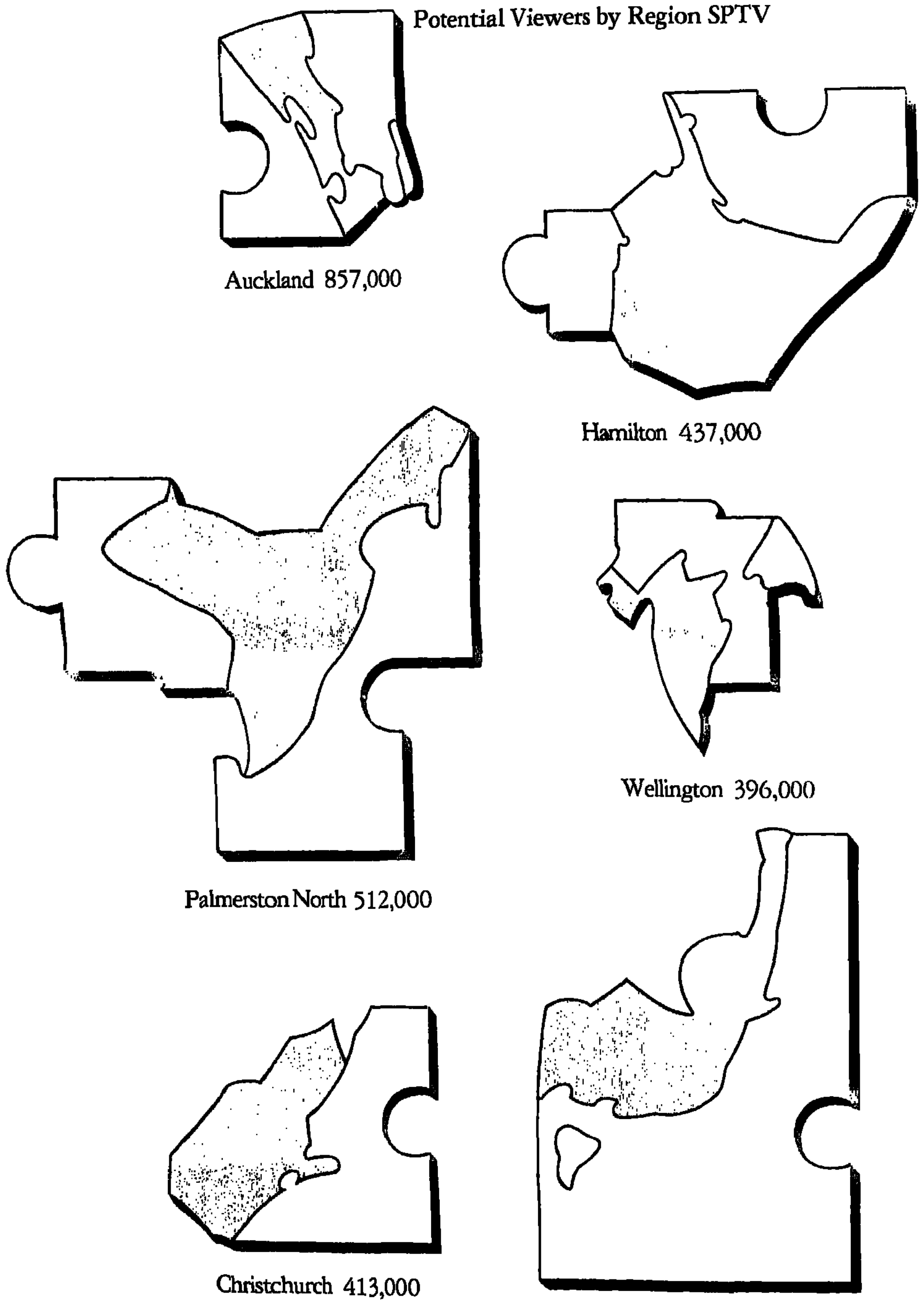
Since all the life o[...] retain their funds in [...] Zealand, they say th[...] vesting in New Zeal[...] energy potential would r[...] the level of overseas fi[...] The life offices also claim [...] investment expertise [...] feed some private sector [...] pertise into an other[...] bureaucratically dom[...] operation.

The life offices could be [...] on the spot for finance [...] quicker than they thin[...] the Government has [...] nounced an energy dev[...] ment scheme which will c[...] excess of $2 billion.

Equally significant is [...] move by National Mutual [...] Australia to bid $135 million [...] a stake in an oil-ex[...] company. Such a large [...] vestment firmly commit[...] major life office to [...] development.

BUT THE MORE OF THE ACTION YOU WANT THE MORE OF THE ACTION YOU GET.

Potential Viewers by Region SPTV



* As published McNair Television Audiences Survey March/April 1979.

L2

ACTION STATION SOUTH PACIFIC TELEVISION. AS MUCH OF THE ACTION AS YOU WANT

REGIONAL RATES

REGIONAL RATES — Monday-Saturday (Excluding Friday)

		AUCKLAND Metropolitan Auckland Whangarei North Auckland	HAMILTON Waikato Bay of Plenty King Country	PALMERSTON NORTH Taranaki Manawatu Wairarapa Hawkes Bay Poverty Bay	WELLINGTON Metropolitan Wellington Marlborough Nelson	CHRISTCHURCH Metropolitan Christchurch Mid and North Canterbury	DUNEDIN South Canterbury Otago Southland
ZONE 1 1800-2200 hours							
Fixed Programme	30	650	220	200	200	220	125
	20	520	176	160	160	176	100
Day	30	550	185	170	170	185	106
	20	440	148	.136	136	148	85
Zone 2 1600-1800 hours		**ZONE 3 2200 hours-Close**					
Fixed Programme	30	230	80	72	72	80	45
	20	184	64	58	58	64	36
Day	30	195	68	61	61	68	38
	20	156	54	49	49	54	30
ZONE 4 1200-1600 hours (Saturdays)							
30 second only		70	25	25	25	25	15
DAY PACK 30 second							
2 spots Zone 1		500 ea	140 ea	130 ea	130 ea	140 ea	85 ea
2 spots Zone 2		150 ea	30 ea	25 ea	25 ea	30 ea	20 ea
2 spots Zone 3		150 ea	30 ea	25 ea	25 ea	30 ea	20 ea
TOTAL		1600	400	360	360	400	250

NATIONAL RATES

NATIONAL RATES Monday-Saturday (excluding Friday)

ZONE 1 — 1800-2200 hours			ZONE 2 — 1600-1800 hours ZONE 3 — 2200 hours to close	
Fixed Programme	30	1172	30	420
	20	938	20	336
Day	30	996	30	357
	20	797	20	286

NATIONAL SATPACKS

2 x 30 second spots Zone 4	$100 each
2 x 30 second spots Zone 2	225 each
2 x 30 second spots Zone 1	700 each
2 x 30 second spots Zone 3	225 each
SATPACK TOTAL	2500

NATIONAL RATES Saturdays ZONE 4 — 1200-1600

	Network
30	120
20	96

Auckland: Chelsea House 85 Fort Street P.O. Box 3819 Phone 30-098
Hamilton: Markham House 850 Victoria Street P.O. Box 9544 Phone 82-699
Palmerston North: Real Estate House Cnr Princes & Main Streets Phone 71-626

SOUTH PACIFIC TELEVISION

Wellington: Dalmuir House 114 The Terrace P.O. Box 1752 Phone 720-476
Christchurch: Manchester Unity Building Cnr Manchester & Worcester Streets P.O. Box 2606 Phone 792-680
Dunedin: Methodist Central Mission Building The Octagon P.O. Box 5341 Phone 741-414

R3

Ministry's report throws light on those bigger electricity bills

Economics Correspondent

PEOPLE who were shocked by the size of their last power bills may wonder if the increased bulk tariffs were necessary.

The Ministry of Energy's annual report should be enlightening to the sceptics.

Last year receipts from the sale of electricity grew and the cost of generating electricity fell. But the profit earned by the Electricity Division of the Ministry of Energy did not rise, according to the report, the first annual report of the Ministry of Energy.

The establishment of the Ministry of Energy resulted from the Government's decision to unify its energy administration by forming a single, top-level department to undertake energy planning and operations.

To the ministry's credit, the annual accounts of the three departments brought under its control have been published separately.

The financial results of the Electricity Division can be compared with those of what previously was the New Zealand Electricity Department (see Table A).

In the year to March 31, 1979, receipts from sales of bulk energy to regional authorities (the same electricity which is resold to the public) were $275 million. And total revenue from all sources earned by the Electricity Division grew by 11 per cent.

During the same period, the costs of generating electricity actually fell by 15 per cent.

Although costs of generating electricity fell, the actual amount of electricity produced for public supply increased by 2 per cent. So the Electricity Division was able to supply more electricity at less cost.

Despite the lower cost of generating electricity, the Division's surplus earned (profit) fell from $6.3 million to $5.6 million. This is mainly because of a 30 per cent increase in interest payments from a level of $120 million in 1977-78 to $156 million in 1978-79.

So, the 5 per cent bulk tariff increase effective from April 1, 1978 and the moderate increase in electricity sales just about provided sufficient revenue to meet increased interest and depreciation costs last year.

Interest has become a major item in the Electricity Division's accounts over recent years. In 1974-75, total interest payments reached around $50 million. The level of interest payments in 1978-79 was over three times as large at $156 million.

This growth in interest payments concerns energy officials. It represents the increasing cost of obtaining loan finance for the construction and development of new power stations.

The 60 per cent bulk tariff increase announced this February and taking effect from May 1 this year was designed to reduce substantially the amount of finance to be obtained by way of loans for producing electricity. According to the Electricity Division, this is "a policy which was being followed in the 1960s. This step will return the finances of the division to a sound basis."

Certainly, if more of the capital expansion of the Electricity Division is financed out of current earnings, future interest payments will increase less rapidly than last year's rate of 30 per cent. But whether this is a "sound basis" of financing is open to question.

It is not the usual practice of private sector businesses to finance capital growth out of current earnings.

Even private households tend to borrow when they want to make major investments in property or other assets that will bring a future return.

By financing capital works out of current earnings, the Electricity Division is expecting today's population to pay for the energy use of future generations. And this policy has been introduced at a time when the size of the population is falling and when the rate of growth in the puchasing power of most average income earners is falling.

Consumers are expected to pay more for electricity when they have less ability to do so.

As Table B illustrates, the Electricity Division has already squeezed a large increase in energy charges out of consumers' pockets.

In March year 1974-75, sales of bulk energy returned $104 million. Five years later the division earned $275 million, an increase of nearly 170 per cent.

The latest 60 per cent increase in bulk energy charges will bring the electricity Division's receipts substantially over the $400 million mark in March year 1980.

With such large growth in revenue and a trend for the costs of electricity generation to fall, there is no question that the Electricity Division has put its affairs on a sound financial footing.

If it is unhappy with the size of its interest payments, perhaps the division should delay some of its capital works rather than increase bulk charges.

Consumers don't need to interpret the Electricity Division's complicated annual accounts in order to work out that what they are paying for electricity is too much.

TABLE A:

ELECTRICITY DIVISION, MINISTRY OF ENERGY
Profit and Loss Account $Million

	1977-78	Per cent Increase	1978-79
REVENUE			
Sales of Bulk Energy	259	6	275
Other	32	47	47
	291	11	323
EXPENDITURE			
Generating Expenses	98	-15	83
Operation and Administration	37	15	45
Total Current Spending	135	-5	128
Interest	120	30	156
Depreciation	30	10	33
Surplus	6	-	6
	291	11	323

TABLE B

ENERGY RETURNS GROW AS CHARGES RISE

March Year	Sales of Bulk Energy ($m)	Increase from previous year (Per cent)
1974-75	104	11
1975-76	115	63
1976-77	187	39
1977-78	250	6
1978-79	275	

Court clears path for inflation-wage link

by Colin James

THE Arbitration Court has *cleared the way* for wage rates to be linked legally to the rise in prices.

The court last week ruled on a case brought by the engineers union.

Since the Government repealed the General Wage Orders Act by passing the Remuneration Act in August, restrictions have been removed on what individual award negotiations can cover.

"Putting it in the broadest possible terms, negotiations on wage matters now can include any item whatever," the court said through chief judge J R P Horn.

This meant that an indexation clause — tying wage rates to movements in the consumer price index — could be included in an award.

This could be done, the court said, even if the employers and union disagreed on whether there should be an indexation clause.

In other words, the engineers could take a case for such a clause to the court for decision.

But it seems doubtful that any such clause could provide for changes in wage rates at less than yearly intervals.

The court ruled that it could approve wage rates that applied for less than 12 months — but with two conditions.

All the parties to the award or their representatives have to agree to the shorter term.

And "particular and special" reasons have to be shown to the court for doing it.

Such reasons, the court said, were "difficult to define".

An example it gave was that it was "not unusual for the court" to approve shorter awards "where the shortened term is designed to bring awards and agreements more or less into line with each other in terms of time".

It could give no opinion of whether particular and special reasons would apply in the engineers case, because it did not have enough information.

In the event the engineers settled for new non-indexed wage increases last week, so the question did not arise. But there still seems to be some doubt as to whether a long-term award can be amended at mid-point if any of the employers covered by the award — that is, the "original parties" as distinct from their representatives — object.

The court was not conclusive.

It said: "The present negotiations do not amount to a fresh dispute of interest. Putting it shortly, it seems that in terms of the present award there is still an unresolved portion of the original dispute of interest at large.

"This portion is the wage rates for the second year of the document's existence.

"Consequently on that head it is suggested that no problem arises in dealing with wage rates for the second period of the document if agreement is not reached in conciliation." (The original conciliation council which negotiated the award remains in formal existence throughout the term of the award.)

But the court added: "We prefer . . . to act under the power contained in section 97 of the (Industrial Relations) Act where the court may at any time during the currency of an award amend any of its provisions . . . in any case in which the court is satisfied that all the original parties to the award or collective agreement desire that it should be reviewed by the court.

"This power can only be exercised on application by the duly authorised agents of the parties to the dispute that was settled by the award or agreement.

"We take this section to mean not that the parties must only come to the court with a specified amendment agreed upon, but that they can come to the court agreeing that there should be an amendment and leaving the terms of the amendment to be settled on the merits by the court."

Common tariff policies: but first the authorities need reorganising

by John Peet

RESPECTABLE economic theory tells us that maximum economic efficiency results if the price of a commodity is made equal to the long-run marginal cost (LRMC) of supply.

By this means, the consumer is made aware of the long-term effects of increasing his demand, the argument being that unless he is willing to absorb these costs he will limit his increases in demand.

This argument is probably valid in a situation in which the market is growing steadily. But it is questionable that it is valid in a context such as energy supply to the domestic sector, or to established enterprises of moderate size with no major growth plans, as is generally the case in New Zealand today.

In the field of electricity generation, the difference between the historic (accounting) cost and the LRMC is so large — about a factor of two or three — that imposition of tariff changes to make the *retail price approach the* LRMC has caused substantial hardship in the short term. And it has ignored the fact that, together with the power stations currently nearing completion, the generating capacity of the New Zealand system is sufficiently large to take care of any reasonable growth in demand over the next decade, without any further increase in generating capacity.

To apply an economic device which results in inadequate use of investments already made is to increase the actual cost of generation of what we do use, by virtue of the need to pay capital charges at least, on all the generating capacity, whether it is used or not.

There was a need for much of the electricity price increase in recent years, simply because the interest rate on NZED loans was still being paid at 5½ per cent. Most local bodies (hospital boards, drainage boards etc) were having to pay nearer 10 per *cent with inflation in the two figure bracket.*

The 5½ per cent rate derives from a time when New Zealand's inflation was 3-5 per cent, and was a fair interest then.

Either all such public investments should pay 5½ per cent, or all should pay 10 per cent.

Why "subsidise" electricity, at the expense of other, equally worthy and important needs for capital funds?

But the 1979 increases, the pleas from the IMF to increase the price yet further, and Cabinet's decision to do so by 6 per cent next year, are at best, reflections of an economic philosophy that is not relevant to our current situation.

This is not to say that we should rush to find anything that will mop up our surplus capacity. It must not be forgotten that this "surplus" lies mainly in the existing or new North Island thermal generating stations (New Plymouth and Huntly in *particular*), *which cost much more to run than the "cheap"* hydro stations.

If major new electricity-intensive industries are to be set up, they must either pay the "full" costs of the otherwise unused power, or be "subsidised" by all other users.

No economic tool such as a tariff policy can be effective, unless its message is accurately transmitted to the final consumer.

With our plethora of some 60 electrical supply authorities it is clear that major distortions are occurring, because the financial and-or political objectives of these authorities are only minimally related to the implementation of any national energy policy.

Irrespective of the detailed mechanisms to be used, it is vital that the authorities be reorganised, at least so that they follow common tariff policies in a given region.

The Rhoodie revelations: efforts to subvert the media — and to establish an African detente

AFTER months of silence, Dr Eschel Rhoodie, the former head of the South African Information Department, details the covert propaganda operation designed to improve South Africa's image abroad, which gave rise to the so-called "Muldergate" scandal and forced the resignation of President John Vorster.

This Financial Times feature is the first in a two part series in which Rhoodie reveals the mechanics of the operation which resulted in large amounts of South African public funds being used to acquire interests in newspapers and broadcasting organisations, to influence politicians, businessmen and journalists and to infiltrate trade unions, religious bodies and pressure groups. Here Dr Rhoodie talks of the South African Information Department's efforts to subvert the media and deals with his country's attempt at establishing detente with Black Africa.

ON September 27, 1970, Eschel Rhoodie, a counsellor in charge of information at the South African embassy in the Hague in Holland, was recalled to Pretoria for a confidential talk with his minister, Dr Connie Mulder.

At the time, South Africa was worried about its increasing isolation in the world.

The Sharpville massacre in 1960 had set off a wave of indignation, especially in the West, against the policies of the South African Government. The country was expelled from the United Nations, barred from the Olympic Games in 1964. South African aircraft were denied overflying rights by other African nations. Worst was the danger of a withdrawal of investment by important international enterprises.

Dr Mulder's talk with Rhoodie encompassed the need for a drastic change of course in the field of information, and in August 1971, Rhoodie was offered the job of special adviser to Dr Mulder. At first he declined, taking the job of deputy editor-in-chief of To the Point magazine.

In June 1972, he was offered the post of state secretary for information. He says he understood that not everyone in the world was waiting for his "positive picture" of South Africa.

At the beginning of 1973, he suggested the founding of a secret fund to influence politicians, journalists, trade union leaders and others. It would also finance the establishment of political organisations, research groups, a propaganda film unit and obtain control over newspapers and magazines.

After he took up the job, Rhoodie says he floated experimental projects in the United States, the United Kingdom, France, Scandinavia and Africa out of funds made directly available by Prime Minister Vorster through the Bureau for State Security to about $3.5 million.

The success of these operations enabled Rhoodie to put forward a more ambitious five-year plan, budgeted at $100 million. The scale of the finance required went beyond the Prime Minister's discretionary budget, and involved General van den Bergh of the Secret Service and P W Botha now Prime Minister, but then Minister for Defence, who controlled a secret budget.

The money was laundered through the Ministry for Defence to General van den Bergh to Rhoodie's operation. The five-year plan was discussed by Prime Minister Vorster, Minister for Finance Dr Nico Diederichs and Dr Mulder — "The committee of three" as they became known. Mulder, it was agreed, would bear responsibility.

Dr Rhoodie says: "One of the first steps I took was to make money available for ordering tens of thousands of subscriptions for To the Point, to send the magazine free to a large number of influential people in the world.

"The second step I took was the establishment of a television news service in Nairobi. The American producer Mark Wodlinger was put in charge of the service. I ordered him to make films in a number of African countries and these were then offered to the televison companies. When the news service became successful, films were also made of South Africa."

Rhoodie says that the Nairobi service was then able to market the films on South Africa as part of a package, as the result of excellent channels of communication developed through the other African films.

The next stages were to take financial control of the important Parisian quarterly Le Monde Moderne and to establish in Paris the Institute for the Study of the Modern World, which would take a favourable attitude towards South Africa.

"Next," continues Rhoodie, "I founded a photo news-agency in Johannesburg. A well-known photographer, Karel Breyer, was put in charge. He was famous because he had photographed Tshombe (the former Congolese leader) in prison in Algeria one day before he was killed."

Breyer syndicated to about 60 publications in Europe, including the Netherlands, West Germany, Austria and Switzerland. In his professional capacity, Breyer was able to attend a conference of the Organisation of African Unity, and passed back the information which he gathered for Rhoodie.

In that early period, Rhoodie took to travelling around the world to talk to politicians and journalists.

He commissioned an American opinion pollster, Richard Manville Inc in New York, to produce a marketing analysis on 16 countries, reflecting attitudes toward South Africa among the general public and the opinion-makers.

This helped to narrow down which newspapers were genuinely influential in those countries. With this analysis in hand, Rhoodie once more suggested that funds were inadequate and made a pitch for an annual appropriation of about $42 million over five years. He had to explain his plans to a group of ministers and officials, including Prime Minister Vorter.

"If you are engaged in a propaganda war, the normal rules no longer apply," Rhoodie said later. "I wanted to obtain approval for — if necessary — large-scale bribery." In the event, Rhoodie got $26 million a year.

Another strand in Rhoodie's strategy was the strengthening of South African relations with Israel.

But Rhoodie says that Prime Minister Vorster told him, literally, "don't bother, won't succeed" when suggested an exploration of possibilities of ... assistance between the countries.

The Department of Foreign Affairs also disapproved, Rhoodie says he made approaches to Israel through informal channels, visiting the country with Dr Mulder and General van den Bergh, even managed to get Prime Minister Vorster invited on a State visit.

In April 1974, new rules were set for the channelling of finance to the secret operations. The Bureau for State Security was to act as banker. The Treasury would no longer have a say in the matter, but it would be under the Ministry of Defence, where the incumbent was the now Prime Minister P W Botha, who denies knowledge of secret operations.

A large part of South Africa's secret program was directed at ... people in the United States.

In conversation with American Senators and leading politicians, Rhoodie gained the impression that their opinions were to a large extent formed by articles in the New York Times and the Washington Post.

When one Senator ... through a clippings file on South Africa, Rhoodie ... that 80 per cent of the ... were from these newspapers. "Articles repeatedly appeared in the Washington Post in particular which were so full of errors," says Rhoodie, "that I ... obliged to insert advertisements proving ... errors and inaccuracies."

In concert with a ... newspaper proprietor, McGoff, Rhoodie devised a plan to neutralise the Washington Post's effect. "The best method appeared to be to lay hands on a newspaper that — as far as influence is concerned — could compete with the Washington Post. It was of sufficient stature then clippings would find their way into the files of politicians and businessmen.

"Seen in this light, I thought it logical that we should ... a newspaper in Washington ... that it would be read daily ... was for that reason ... McGoff's suggestion to buy the Washington Star suited us very well. It was the only ... newspaper in the capital capable of matching the Washington Post." The Star had the additional advantage of being a heavy loss-maker.

McGoff was the publisher of about 40 medium-sized newspapers in the centre and west of the United States, and had "important friends in the American Congress and Senate. He knows Richard Nixon and is a personal friend of Gerald Ford".

McGoff went to South Africa and negotiated with Dr Mulder. He also had lengthy discussions with Prime Minister Vorster, who personally approved the project on the recommendation of Mulder and Finance Minister Dr Diederichs. Ten million dollars was to be set aside for the first stage of the project.

"I can well remember," Rhoodie reflects, "that during one of the discussions, Dr Diederichs had said that if McGoff didn't succeed in buying the Star, and the money was lost, South Africa would not have any further claims."

According to McGoff's estimates it would cost around $15 million to purchase the Star. McGoff was prepared to find $15 million himself.

But at the moment when the way to buy the Star had apparently been cleared, a Texas businessman, Joe Albritton, came on the scene with an offer to the Star's owners to purchase not only the newspaper, but also the radio and television station belonging to the organisation.

After a furious legal battle, in which McGoff attempted to prove that Albritton intended to create a monopoly position and which lasted a year, the Federal Communications Commission opened the way for Albritton to make a bid. It was a better offer than McGoff's.

A large amount of interest had accrued over the year on the South African $10 million, and McGoff suggested it be used to buy the Sacramento Union, an important Californian newspaper. With Mulder's approval, Rhoodie gave the green light, and the paper was snapped up for $10 million plus the interest.

In 1975, a further $1.35 million was made available to McGoff to acquire 50 per cent of International Television News in London, an important television news service, which sold its output in more than 100 countries, especially in the United States. McGoff bought out Paramount Films' 50 per cent of the operation. The other two shareholders with 25 per cent each were the news agency, United Press International, and Independent Television News.

McGoff then appointed Clarence Rhodes as manager of the service. Rhodes held an important position in Panax Newspapers, McGoff's holding company in East Lancing, Michigan. Through United Press International's television network, it then became possible to include South African films in the service.

"We did not only include films made for obtaining a more positive picture of South Africa in the world," Rhoodie said, "but we also had feature films being shot in South Africa, because we thought the location already to be an interesting factor."

At one point, the South African Government provided the finance for the feature film, "Tigers Don't Cry", starring Anthony Quinn.

As far as International Television News was concerned, Rhoodie said that the journalists concerned did not know that the service by which they were employed was financed in large part by South Africa.

Another tactic was to invite prominent politicians to lectures dealing with South Africa and pay them substantial fees without their knowing that the money came from Rhoodie's funds.

Former United States President Gerald Ford, for example, spoke at a seminar in Houston, on investment possibilities in South Africa. He was paid $10,000 through SEN-Bank, which sponsored the event, but, although Ford did not know it, the money was refunded by the South African Department of Information.

The former United States Treasury Secretary, William Simon, had a similar experience when he lectured at Ryetown in 1977.

Rhoodie's activities were not confined to the United States and the United Kingdom. The South African Government bought other publications as well: the worldwide religious publication, Encounter; the Johannesburg financial Prescon News Bulletin; the Paris University newspaper Universite Libre; the Parisian monthly France Eur-Afrique; the French intellectual political publication Le Monde Moderne; and the English-language publication Pace. There was also African Development published in London.

In Africa, according to Rhoodie, his Government followed a different tack to influence and handed over several hundred thousand dollars to a political leader in Africa to support his election campaign.

And as part of a bid to establish detente with Black Africa, says Rhoodie, this Government.

- Gave technical assistance to five countries: Zaire, Gabon, Tanzania, Zambia and the Central African Republic;
- Held secret talks with African leaders that were covertly tape-recorded; and
- Provided several thousand dollars as "financial support" to the head of another government who was seen as a bridge-builder.

His department also allegedly recruited the services of famous heart surgeon Dr Christiaan Barnard, who travelled world-wide "on my behalf" improving contacts with governments.

He gives details of money being passed to a leading member of a political party in Africa and says that the head of the same party later visited the South African President, John Vorster, and asked for more money — without apparently knowing that one of his lieutenants had been there before him.

Rhoodie says both conversations were secretly tape-recorded.

Rhoodie said that to finance this project he had asked the Finance Minister, Owen Horwood, for an additional $800,000, and this was approved. Horwood "knew of the secret project", as did some top officials of the Treasury.

JOHN VORSTER . . . funds made available.

In the matter of South Africa's assistance for Black African states, a major role is attributed to General Hendrik van den Bergh, head of South Africa's secret service.

Van den Bergh visited Zaire, Gabon, Tanzania, Zambia and the Central African Republic, and later "technical and agricultural" assistance was given to these countries.

In both Zaire and Gabon a large farm was established with South African money, one on land belonging to President Mobuto of Zaire. The contacts served to gain permission for South African Airlines to fly across those countries, said Rhoodie.

According to Rhoodie, Mobuto was prepared to invest $2 million in a proposal to establish a news magazine which supported his political ideas.

The project was approved by the Information Department last year, and a follow-up trip to Zaire was made "with General van den Bergh and General Constance Viljoen, chief of staff of the South African Army".

Four years previously, in 1974, South Africa made a breakthrough in its relations with Black Africa, for which Rhoodie claims much of the credit.

His shuttle diplomacy, he claims, led to then-Prime Minister Vorster visiting Ivory Coast for secret talks also attended by Senegal's President, Leopold Senghor.

This contact, and later contact with Liberia and Zambia, was not to survive the riots in South Africa in 1976 and 1977.

The alleged role of Dr Christiaan Barnard in South Africa's propaganda war came, says Rhoodie, as a result of their good personal relationship. A strong critic of apartheid, Barnard nonetheless also shared Rhoodie's belief in the need for an open dialogue with other nations.

Barnard, says Rhoodie, met President Johnson of the United States, the Pope Paul and other influential people in England, Germany, France, Portugal, Brazil, Puerto Rico, Argentina and Peru.

NEXT week — South Africa's efforts to curb her anti-apartheid critics abroad.

Transport details run thin on ramifications

by Bob Stott

THE economics of transport projects in narrow terms might be generally understood — but the full effects of such projects are not so widely discussed or appreciated.

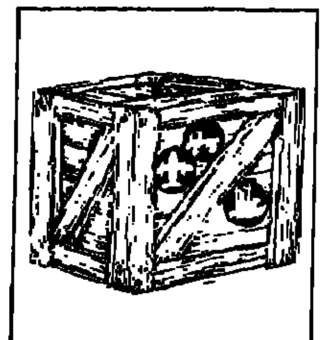
Railway electrification, for example, is seen by many as desirable because it will result in the substitution of imported oil by locally produced electricity.

But NZ Railways' Euan McQueen has pointed out in a paper to the Australian and New Zealand Association for the Advancement of Science that electrification won't save much fuel because railways use only 1.7 per cent by volume of oil-based fuel imports anyway. Furthermore, if saving of overseas exchange is the aim, the high imported cost of electrification has to be considered.

So electrification is seen not simply as a saver of imported oil but one way of increasing the capacity of a railway — and the only route at all hard-pressed in this respect is the Auckland-Wellington railway.

Many people — some Members of Parliament — tend to see railway electrification as a worthwhile way of saving fuel, but fail to appreciate that the added cost in importing electric locomotives, substations and so on would in the short term take more overseas exchange than is needed to keep the diesel-worked railway going.

So the narrow view — electric trains save fuel — does not pay due recognition to the fact that electric trains are imported.



TRANSPORT

It is not hard to find out that the first 7.7 kilometres of the Wellington urban motorway cost $68.9 million up to the middle of last year.

But what is difficult to discover is the effect that motorway had on Wellington ratepayers.

Construction of the motorway absorbed something like 600 or more separate properties, off which rates will never be collected again.

At the same time the improved access created by the motorway must have enhanced the value of commercial properties adjacent to this route.

Did the balance turn out in favour of the capital's ratepayers?

Before any further extension is contemplated it would be interesting to see whether a full reassessment of the costs and benefits will be made in the light of carless days.

Here's another one: It seems silly to spend $50,000 or $100,000 to import a big truck and trailer rig when the railway can do the same job more cheaply. In fact the imported content in a big truck is a lot less. Sales tax and customs duty has to be taken off, as does any value added in New Zealand (by assembling the truck from a kitset, by adding the deck etc in this country).

So what's needed perhaps is some research to establish the various cost components in the bits and pieces which go to make up the transport industry . . . not just fuel costs but all costs.

The Transport Ministry has recently embarked on such an exercise, the results of which should go toward promoting a higher standard of debate on transport — a higher standard in this column and elsewhere.

The aim is to isolate the various components of transport and to spell out their costs, both imported and local.

So we should eventually know the imported cost component of a truck tyre, or perhaps a kilometre of railway track.

We should then be well on the way toward being able to find the answers to questions for which at the moment it is not really possible to even hazard a guess.

For instance, it might become possible to identify the imported content in a tonne-kilometre performed by a long-distance truck as compared to a goods train, or the imported content in an inter-city trip by scheduled airline compared with making the same trip by car or bus.

As New Zealand has a balance of payments problem as well as a fuel supply problem, seeking information is hardly of mere academic interest.

That doesn't mean we should automatically adopt the form of transport with the lowest imported content. That would lead to all but wooden sailing vessels being permitted on Cook Strait.

But if we knew the imported content in a particular mode of transport, at least in general terms, this would be one factor which could be taken into account in making planning decisions.

At the same time the Transport Ministry survey should result in a better understanding of other transport cost components, so that the total resource cost of each mode becomes clearer.

With the total resource costs of transport identified, future transport decisions could be seen to be the right ones . . . so often at present decisions are made which may be wise, but aren't proved to be so.

An example is found in the decisions made from time to time to close little-used railway routes.

Typically the Railways, usually via the Minister, announces that the closure of a route will eliminate a rail deficit of so many dollars.

The saving is then presented as a clear benefit to the community.

What is not spelled out is the extra roading cost arising from the transfer of freight from the doomed line to parallel roads.

This is not surprising as the Railways could hardly be expected to concern itself too greatly with the maintenance of county roads, yet this should be a point taken into consideration, and seen to have been taken into consideration.

Roading costs have been more clearly delineated as a result of work done to compile the basis for levying the road user charges. Therefore in this case, it is not so much a matter of undertaking further research, but ensuring that the results of say a Railways survey of a branchline plus an estimate of additional roading costs are presented to the public as a complete package.

This is the sort of thing the Ministry of Transport might be expected to take on . . . but it does not always seem to.

One reason could be that the Railways and MOT don't always get on too well.

There are many in Railways who see the MOT as part of the road transport industry, or at least too closely allied to the truckies.

And there are some in the MOT who do not display a deep understanding of rail transport.

The fault would seem to be on both sides — some in the MOT express a private desire to get their hands on railway decision making, while there are those in Railways who claim there is a certain mystique connected with running trains which means outsider can never understand even the basics.

The public might be better served if there was an independent body, able to present the nation with an easily understood overview of the transport industry as a whole.

Transport after all, is one of the most vital factors in the nation's wellbeing.

One solution would be for the Transport Advisory Council to be expanded to cover more detailed research into all forms of transport and to get itself accepted as an authoritative, yet neutral body, perhaps staffed by people seconded from the various transport modes.

At a time when the whole system of road transport licensing is being reviewed it would perhaps be exciting to know that the full cost benefits of any changes are spelled out to the public.

The 1977 Budget saw [illegible] extension of the distance [illegible] on road transport to [illegible] kilometres, but to date I cannot recall seeing any report which even attempts to assess whether that change resulted in a decrease in the amount of money the country spends on transport, an increase in efficiency in the productive sector or the opposite.

Industrial unrest takes top rank

Melbourne Correspondent

INDUSTRIAL unrest ranks foremost among the concerns of United States manufacturing subsidiaries in Australia.

In what is described as "an extraordinary display of unanimity", 27 of 36 major United States corporations surveyed by the American Chamber of Commerce in Australia (AmCham), listed strikes as their most troublesome problem.

Some respondents emphasised their preoccupation with strikes by furnishing such unsolicited comments as: "All my other problems are relatively minor compared to these unending stoppages. We would be appreciably more successful as a company if only our workforce could be depended upon."

Another respondent commented: "Union disruption has to be factored into your pricing structure, and when you do the numbers, the magnitude of the problem suddenly becomes apparent. It's not a pleasant picture."

The next most cited problems were labour costs, and inflation.

Approximately one-third of the companies sampled, predicted that Australia's inflation will be in double digits during any of the next five years.

But few forecast rises in the cost of living above 11 per cent.

For the first time energy appeared as a source of concern among respondent companies.

One company executive said: "Energy, energy, energy. They are my top three concerns. That's all I can think about."

Another predicted that a general increase in the cost of doing business would result from Australia's industrial dependence on oil, and the cost of oil-based components would "sky-rocket".

In the short term Australian industry cannot react in time with alternative energy sources and must bear this added expense.

Despite the industrial unrest and the spectre of rising oil prices, 16 of the respondents rated Australia in the top-third of investment priorities on a global scale, largely because of its access to energy in a politically stable environment.

Another 14 companies continued to rank it in the middle-third category. Three years ago these same corporations had almost without exception listed Australia in the mid-to lower-third on the global investment scale.

Notwithstanding their expressions of confidence in the country's future, United States subsidiaries in Australia plan to trim their outlays on property, plant, and equipment in 1979 by 4 per cent. This contrasts with an average global increase of 15 per cent.

The United States has slightly more than US$6 billion invested in Australia of which the manufacturing share is about 45 per cent, down from almost 50 per cent in 1971.

But this apparent paradox is probably due to changing patterns in United States investment.

While planned expenditure on manufacturing declines, expenditure on mining and smelting has increased — by [illegible] per cent since 1977.

Significantly comments from those companies elevating Australia to the top third in investment priorities make frequent mention of its mineral resources.

For United States mining companies, Australia's mineral wealth and political stability clearly outweigh the irritant of industrial unrest, but the survey suggests that this may no longer be true for United States manufacturing subsidiaries.

Experts drag cancer out of medical closet

by Belinda Gillespie

THE time has come for New Zealanders to confront the skeleton in the medicine cupboard.

Cancer, the second-most common cause of death affects one in four and kills one in five of the population.

Statistically, therefore, a member in the immediate family group of each of us will get cancer, and a close relative or friend will die of it.

The mystique of cancer is such that people avoid these facts and continue to treat it as an unmentionable but threatening possibility.

Cancer is a commonplace somewhere between heart attacks and car accidents as a means to the inevitable end, but is regarded with far less equanimity than either.

MP Mike Moore dropped a bombshell when he stated publicly that his long absence from Parliament was caused by cancer.

Significantly, he could admit to the disease only when he was again back on his feet in public life. During the course of his illness he had to withhold the knowledge from an electorate which could rate him a write-off because of it.

That Moore's revelation was universally regarded as the brave stand of a man confessing to something shameful is a measure of public irrationality.

Not just one, but approximately 23 members of Parliament will be affected by cancer during their lives, assuming that politicians have no special immunity conferred by their rank.

Attitudes are changing, but slowly. Cancer has gone public in a big way recently, with the publication of Talking about cancer, a booklet produced to go with a series of broadcasts by Radio New Zealand — both timed to coincide with a cancer conference at Wellington Clinical School.

Talking about cancer is a far cry from the terrifying but sketchy list of danger signals which was previously the sum total of public knowledge about cancer — more likely to deter than prompt the immediate visit to the doctor which it urged.

While death rates from heart disease have dropped quite sharply since 1970, according to the Health Department's annual report, deaths from cancer are on the increase.

There is "a very clear upward trend" in deaths from cancer of the lungs, bronchus and trachea, the mean annual death-rate in 1976 being twice that of 1956. Death from other types of cancer have also increased since 1970, after a slight drop previously.

The increasing incidence of tobacco-related respiratory cancers, and sun-related skin cancers, lead Health Minister George Gair, to admonish New Zealanders "whose persistent personal lifestyle unnecessarily exposes them to risk".

"Stop smoking and avoid the sun," was Gair's message — overlooking the fact that respiratory and skin cancer, together account for only about a quarter of cancer deaths.

The rest can't be directly attributed to poor "health related behaviour" and no-one has yet identified the habits or environmental factors which can be blamed.

The possible link between cancer of the bowel and a high-fat, low-fibre diet isn't substantial enough for the health professionals to insist on a national campaign to wean New Zealanders away from their accustomed eating patterns.

With the highest rate of bowel cancer in the world, and a very high fat consumption to go with it, the connection is tempting.

GOOD HEALTHKEEPING

It's easy to take a nation to task for smoking and sunbathing — less easy when a dairy and meat-fed population has to be told that a diet previously held to be healthy may be a cause of the community's most dreaded disease.

The demystification of sex, said Dr Derek Doyle, an Edinburgh expert in the continuing and terminal care of cancer patients, has lead cynics to say that death is the only taboo area left.

He rejects this as an explanation of the current worldwide interest in the care of the dying, which has led to the establishment of "hospices" — establishments dedicated to providing a dignified death to those who suffer terminal illness.

Whereas all the great developments in medicine have come from within the profession, Doyle pointed out, the hospice movement is singular in that it has been entirely initiated by the lay public, which has perceived the need for hospices, funded them, and continued to supply revenue to keep them going — a remarkable paradox in societies where health systems have increasingly become nationalised.

Hospices — the visible evidence of what Doyle calls "an aggressive public response" to the long-neglected needs of those dying of cancer — may be only a stop-gap measure. Staff costs are higher than for general hospitals.

Special skills are needed and the ratio of staff to patients has to be high. Patient numbers are kept low — ideally below 25, and the average length of stay is something less than three weeks. So far, most hospices meet their costs almost entirely through public support and whether this will be sustained is anybody's guess.

Valuable though they are, hospices, Doyle said are "luxury medicine provided for the few". With too many to help too few, and implying more fragmentation of care, the hospice concept is "not acceptable for the long-term future".

Pioneers in treatment at this stage, hospices eventually should be able to translate their benefits in terms of teaching and research in general hospitals and university teaching programmes.

The movement is "an attempt to restore the balance — society's attempt to face up to the last taboo — to restore dignity and reduce the impersonality of treatment", of the dying.

Licensing draws query

BOB Stott's article (NBR Aug 29) on the attitude of Federation of Road Transport Organisations to transport licensing is certainly a case of vested interests supporting a system that has outlived its usefulness, if indeed it had any.

Any form of licensing that protects the licensees from "the forces of the market" is not in the public interest.

Licensing protects the inefficient (as in the Auckland Taxi Service) and increases the cost to the consumer. Hopefully transport licensing is not the last to be questioned with a view towards abolition.

The licensing of meat works has also been seriously questioned.

The FRTO has itself put forward in the article some reasons why de-licensing at this time would be opportune and with little effect.

That "ancillary transport operators" carrying their own goods have increased is an indictment of the licensed transport industry which if it had been efficient and cost-conscious would have provided a competitive satisfactory service to those companies that have decided to use their own transport.

The present over supply of freight vehicles with licensed transport is a regulator of competition and actual charges.

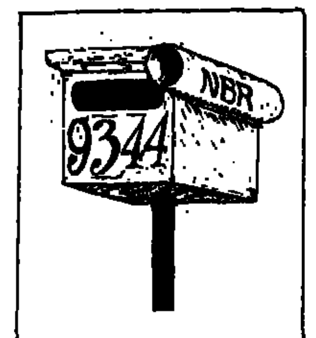
I cannot see that if the transport industry was delicensed that any more men or companies would enter the transport industry with the price of trucks today and the costs of running those trucks.

The FRTO also mentions the ease with which a person can enter the licensed freight transport industry. If this is so is there any need to go through the red tape and cost of getting a licence? Each additional cost is a cost passed on to customers and-or consumers.

There is now considerable rate-cutting within the trucking industry — a satisfactory state of affairs which keeps rates down, and therefore costs reduced and efficiency improved within each trucker's own business.

The FRTO mentions the "red herring" of safety and maintenance standards; matters that have nothing to do with licensing.

Safety and vehicle standards are covered by certificate or warrant of fitness. Should delicensing occur I trust that vehicle testing authorities will maintain their present high standards.



LETTERS

The penalties for operating a freight or passenger service for reward without a certificate of fitness could well be substantially increased to maintain standards and for the public safety.

The increasing demand for taxis because of the new drinking and driving laws, carless days and the ever increasing cost of private motoring cannot be met by the taxi industry within the industry's present structure and licensing system.

The taxi industry is very concerned about delicensing.

However, for the above reasons there is an assured future particularly as part of any urban transport plan using cars and minibuses where it is uneconomical to run the usual large buses.

The costs of operating taxis, maintaining taxis to certificate of fitness standards, the anti-social hours to be worked to get a reasonable income, the drunken customers etc would deter any but the most determined to set their car up as a taxi.

However, anyone with a suitable car should be able to begin a taxi service if sufficient public demand is there to be catered for as indeed there must be in the future. This is where substantial penalties for operating a transport service without a certificate of fitness comes into the system for public safety.

The other main concern of the licensed transport industry is the competition from government services. The Government has no place in the road transport industry.

The Railways must become a public corporation required to show a profit under normal commercial rules and accountancy systems in competition with other forms of transport and not being subsidised by the taxpayer.

The Railway's buses should be sold and the routes taken over by private companies or individuals to be operated at a profit in competition with each other.

After an initial settling down period, all the competitive structures, trucking, rail etc would find their own parts within the transport system with competition providing the incentive to hold costs and produce an efficient service.

However, the question of delicensing is not dependent on the Government removing itself from active participation in transport, however desirable this would be as a political principle. Should the Government decide to remain in transport then it should operate under the same rules as private enterprise.

To summarise, now is an opportune time to delicense the transport industry because:

- The over-supply of trucks;
- The extent of rate-cutting;
- The owner-driver system of terminable contracts has removed the goodwill factor;
- The apparent inability of the taxi industry to face change and grow with the present system;
- The cost of maintaining and administering the licensing system.

If the transport baby is thrown out into the cold with the bathwater (licensing) one will be surprised how well the baby would face the new challenges and survive.

Ian R Sampson
Auckland

Press giants defend BPA

YOUR correspondent Mr R S Saunders of Palmerston North claimed (NBR September 12, 1979) that the Business Press Association was being used by a major New Zealand publishing company and a multi-national to eliminate opposition.

The allegations could not be further from the truth. For years the Business Press Association has been an organisation in name only. However, the association is now enforcing its own rules more aggressively on the subject of having circulation audits.

The only obvious solution, short of the Government cleaning up the industry, was for publishers themselves to do it. Certainly much of the drive for this came from the president and vice-president who are employed by New Zealand News and IPC Business Press respectively but surely no one would regard this action as anything but positive.

As far as the insinuation that IPC Business Press wants a clear field in magazine publishing the concept does not fit in with sound marketing reasoning, competition is [illegible] for everyone and it will be a sad day for us to be alone in [illegible] areas our magazines serve.

As publisher of IPC Business Press New Zealand, it was my choice to leave an [illegible] job overseas to launch the business magazines in this country. The rationale behind this is quite simple — there was a need for the type of publications we launched and our readers have endorsed this all the way down the line by subscribing to them, in increasing numbers.

Similarly, advertisers have supported the publications because their circulations are audited by the Audit Bureau of Circulations (ABC) and the Circulation Audit Bureau (CAB) and I might add IPC Business Press is the only business press publisher in the country to have all its magazine circulations audited.

IPC Business Press New Zealand is no bogey, it consists of eight New Zealanders working on four magazines who happen to like what they are doing, like working for IPC Business Press and, without exception, are trying to raise the standards of [illegible] publishing in this country.

Glen [illegible]
IPC Business [illegible]

Payment pattern

WITH reference to NBR August 29, and the article by Donn Anderson on Motor Vehicle Leasing, I would like to bring your attention to an incorrect statement.

The rentals paid in advance in respect of a motor vehicle lease agreement must be applied against that amount of rentals immediately before the expiry of the lease agreement. Therefore, in your example the $5000 should be applied against the last $5000 worth of rentals which would be the last 21 months rentals.

The payment pattern for the lessee would be $5000 payable at the commencement of the lease, followed by [illegible] per month for the next 15 months and then no further payments until the end of the three year lease term. The timing of the lessee's cash flow is therefore substantially different from that described in your article.

M C [illegible]
UDC Finance Ltd

To see ourselves

THE love-hate relationship between ad agencies and their clients would provide a fitting thesis for any budding psychologist.

Beneath the firmest relationships and friendships established through working closely towards a common goal run small undercurrents of resentment, tension and frustration.

That so many client-agency affiliations continue unbroken for so many years is a tribute to the commonsense and consideration shown by both sides.

One of the sources of dissonance may well be the *different* values placed on agency services by the two parties. What an agency sees as its proudest strength may not figure importantly in the client's scale of wants.

The results of a survey entitled "Advertising Agency Strengths" conducted by Survey Research — Research International Ltd earlier this year may come as a surprise to some agency men.

It asked advertisers to specify the strengths and weaknesses of agency operations and the replies lead to broad conclusions that marketing men put agency knowhow ahead of flair and media expertise ahead of creativity.

The research produced 113 responses from companies, only 4 of which did not employ advertising agencies. We are told that the distribution of responses fairly represented large, medium and small advertisers.

Questions were open-ended in an endeavour to elicit "top of the mind" attitudes. Unfortunately, the questionaire was not included in the published report.

Asked to rate agency strong points, media expertise came out at the head of the list, nominated by 50 per cent of respondents. From an amalgam of detailed responses came recognition of the importance of wise media selection, agencies' access to and ability to interpret media information and media selection in terms of market penetration and cost-effectiveness.

It seemed surprising that creativity came only second with a 42 per cent mention. Those who amplified their comments were properly seized with the importance of the creative contribution, describing it as "a good agency's strength" and "most important".

Creativity was closely followed in ranking by the personnel factor which scored a total of 39 per cent under three heads. In detailing the strength of specialist skills, clients made frequent reference to creative talent as well as to expertise in all other agency functions.

Perhaps the emphasis on creative personnel compensated for the lower rating given to agency creativity. Service provided by personnel received marks for en-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thusiasm, availability and speed under pressure. And the ability to understand the client's business, particularly in terms of the total marketing environment was also regarded as an agency strength.

The fourth major agency ability was described as marketing input. Here the agency was clearly seen as an extension of the client's marketing department, becoming involved, making suggestions, acting as a catalyst.

Competency in seeing the marketing problem, using knowledge gained in related fields as cross fertilisation, and direct marketing advice were seen as a plus in the agency role.

Less important but still valuable were objectivity, the independent outside view and innovative thinking, the abilities required to coordinate a total promotional and advertising strategy, to supply a comprehensive range of services and specialised skills and to translate concepts into finished advertisements through a network of contacts with production houses.

Also noted were the ability of agencies to provide advertising and market research, international liaison, good cost control and accounting services.

Now, lest an agency sees portrayed above a profile of its own abilities, it might be wise to observe the comment from one respondent to the effect that "no New Zealand agency is strong all round", and then consider what clients dislike about agencies.

Number one grouch subscribed to by 48 per cent of respondents centred around financial considerations of which by far the most important is pricing. More than one in four replies complained about the high cost of creative work and production, as well as costs which are not related to needs.

Creative people, it was charged, have difficulty working within a budget and even agencies as a whole should be more budget conscious. The commission system came under fire. And some invoicing and accounting standards were criticised.

Problems in the personnel area related to movement of agency staff and the consequent breaks in continuity. Some criticised the account executive system.

On the servicing side there were some complaints of over-elaboration of campaign plans and attitudes of superiority.

Some agencies were accused of creating ads to win awards rather than sales and other sins were failure to keep deadlines, inappropriate use of media, lack of research and testing in the creative area and lack of commitment and accountability.

Overall, agencies can take comfort from the fact that the average number of strong (complimentary) points made far outweighed the number of weak (unfavourable) points. But there is ample scope for any agency to conduct a self-examination of its strengths and weaknesses.

Survey research has performed a useful service in setting up opinionative standards — because there are no absolute ones — for the guidance of agency operations.

Chinese explosion

DORMER Beck Campaign is the New Zealand associate of Compton International of New York.

When James R Adler, Compton's president visited Auckland recently for the Compton Asia-Pacific partners conference, he also addressed a 4As luncheon on the subject of advertising in China, a country which he had recently visited.

In view of the future explosion of trade which Adler foresaw his remarks on the current advertising scene in China may be helpful to those exporters who have thoughts of selling goods in China.

The Chinese can offer foreign advertisers a wide range of media; TV, radio, newspapers, magazines, outdoor signs (both neon and hand painted), bus and river boat display ads, hotel display ads and department window displays.

TV extends to Shanghai, Beijing, Nanking, Hangchow and Canton. Advertising is accepted for products which are imported in volume, for example watches and television sets.

Advertising is not accepted for "frivolous" products like cigarettes, liquor and soft drinks.

In the Shanghai area there are some 800,000 TV sets, about one-third colour. Total evening audience is estimated at 2.5 million people and cost for a 30 second spot is about $1160.

The Shanghai Advertising Corporation handles advertising for Chinese exporters in foreign markets and media placement for several foreign advertisers in China.